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THE ECONOMIC PRINCIPLES OF CONFUCIUS AND HIS SCHOOL

VOLUME II

BY

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BOOK VI. BRANCHES OF PRODUCTION

CHAPTER XX

Branches of Production in General

I. THE FOUR GROUPS OF PEOPLE

Using the principle of the division of labor as a basis, the Chinese have classified their people into four groups from a very early period. Such a classification is not a caste system, but a division of occupations, and it includes all the people. *Ku-liang's Commentary* says: "In the ancient time there were four groups of people: there was a group of people called students; there was a group of people called merchants; there was a group of people called farmers; and there was a group of people called artisans." [1] The definition of these four groups is given by Ho Hsiu. He says:

First, those whose virtue enabled them to occupy the public positions were called students. Second, those who cultivated land and produced grain were called farmers. Third, those who finished the goods by skilful mind and toilsome hand were called artisans. Fourth, those who exchanged wealth and sold goods were called merchants. The four groups worked separately and the labor of one group was not taken by the other three. Therefore, the wealth was sufficient.[2]

[1] First year of Duke Ch'êng.

[2] *Annotation of Kung-yang,* first year of Duke Ch'êng.

This was the system of the ancients and the same classification is still used now.

Under the influence of Confucius, China had no social class or caste. But by the division of labor, she had, and has, four groups of people. In the statements just quoted above we may note three points of special significance. The first is social equality. All the four groups are indiscriminately called people, and no group is higher than the others. The second is that the merchant is productive as well as the student, the farmer and the artisan. In the Chinese language the order of these four groups is usually this: the first is student, the second farmer, the third artisan, and the fourth merchant. But, according to *Ku-liang's Commentary*, the merchant is next to the student. It is obvious that the Confucians recognize the productivity of the merchant, and that they are not hostile to him, no matter whether he is put second or fourth in order. The third is the principle of division of labor. These four groups are divided in order to make the productive power more sufficient; and the people are not confined to any given group, but simply fall into one through the classification of occupations. These are the essentials of this grouping system.

In ancient times there was a static theory about the four groups. According to Kuan Tzŭ, the sage kings settled the students in the quiet place, the artisans in the factory, the merchants in the market-place, and the farmers in the country. Each group collectively lived in a special district by itself and attended to its own business day and night. They practised their occupation when they were young; their minds were satisfied; and they did not like to change their occupations, even when they saw strange things. Therefore, the teaching of their fathers and older brothers was effective without severity, and the learning of their sons and younger brothers was successful without difficulty.

Hence, the sons of each group usually took up the occupation of their fathers. Therefore, these four groups should live separately. Had they all lived together, their talking would be confused and their business would be changed.[1] Such a theory was carried out successfully by Kuan Tzŭ, and it was harmonious with the theory of the Confucians. In fact, the separation of the four groups was not for social distinction, but for occupational specialization.

Because the ancient Chinese had static economics in mind, they thought that it was a good thing for people not to change their occupations. When Tzŭ-nang, prime minister of Ch'u, described the good social conditions of Tsin (27 B. K. or 578 B. C.), he said: "The students of the prince of Tsin vigorously study their lessons; his common people attend diligently to agriculture; his merchants, artisans, and servants know nothing of changing their occupations."[2] According to this statement, Tzŭ-nang judged the economic condition of Tsin by the adherence to their occupations of the four groups. Such a judgment is correct. For, if the people are not satisfied with their occupations, they must change from group to group. So long as the people can remain in their own group without moving, it means that they can earn a living in their group, and there is no inducement offered by other groups. It is a static state, because the four groups stand on the same level and the people do not want to change their occupations.

II. FREEDOM OF OCCUPATION

Although by the system of four groups, the people are divided up on account of their different occupations, there is freedom of occupation. According to the theory of the

[1] *Narratives of Nations,* bk. vi.

[2] *Classics,* vol. v, pt. ii, p. 440.

Confucians, every one should have free choice of his own occupation, and this was the fact in ancient times. Mencius says:

> Is the arrow-maker less benevolent than the maker of armor of defence? And yet, the arrow-maker's only fear is lest men should not be hurt, and the armor-maker's only fear is lest men should be hurt. So it is with the priest and the coffin-maker. The choice of a profession, therefore, is a thing in which great caution is required.[1]

According to this statement, Mencius refers to any kind of profession, and the arrow-maker, armor-maker, coffin-maker and priest are only examples. His essential point is that a man should be careful to choose his profession for the development of moral sense. An arrow-maker and a coffin-maker are not inhumane, but their professions make them wish men to die. Pan Ku says that the reason those who sell coffins wish to have an epidemic in the year is not because they hate men and wish to kill them, but because their profit depends upon the death of men.[2] His idea is the same as that of Mencius.

Indeed, a profession can generally affect the motives of man. For this reason the Chinese still have a general conception about the choice of an occupation from the standpoint of morality. Our discussion here, however, is not from the moral point of view, but from the economic. Since Mencius teaches men to be careful in choosing their professions, it indicates that there is freedom of occupation and every one may make his own choice freely. Otherwise, if there were no choice, how could a man be careful about his choice?

[1] *Classics,* vol. ii, p. 204.

[2] *History of Han,* ch. xxiii.

Since there is freedom of occupation, a son does not necessarily have to follow in the steps of his father. The reason a son usually takes up the profession of his father is not because he has no freedom of choice, but because it is easy for him to do so. According to the "Record of Education," a son may usually change from the occupation of his father, simply because he gets the education from his father's occupation, but applies it to another line. It says: "The son of a good founder is sure to learn how to make a fur robe. The son of a good maker of bows is sure to learn how to make a sieve." [1] Because the founder melts the different metals to make a complete article, or repairs the broken things by fixing the metals on it, such an art is similar to the making of fur robes by putting the different pieces of fur together. Because the bow-maker bends the wood in a good condition, it is similar to the making of sieves. Therefore, when the sons of the founder and the bow-maker have familiarly seen the practice of their fathers, they use similar principles for different applications. In a word, the sons utilize the occupations of their fathers as the basis of their education, but they specialize in their own occupations. Therefore, the son does not necessarily succeed to the profession of his father and has freedom of choice.

III. THE NECESSITY, JUSTICE AND HONOR OF WORK

Confucius never holds in contempt any kind of work, and he thinks that work is necessary, just and honorable. First, let us see why work is necessary. The *Canon of History* says: "When the farmer labors upon the fields and spends his strength in reaping, there is then a good harvest. . . . When the lazy farmer yields himself to ease, and is not strong to toil and to labor on his acres, he cannot have

[1] *Li Ki,* bk. xvi, p. 90.

either rice or millet." Therefore, P'an Kêng (850-823 B. K. or 1401-1374 B. C.) reproved his people by saying: "You, the myriads of the people, unexpectedly do not know how to produce wealth." And he encouraged them to move the capital city by saying: "Go! Produce wealth there." [1] Indeed, the production of wealth is the necessary business of the people, and they must not be lazy. Therefore, there is a proverb: "The life of the people depends on diligence; with diligence there is no want." [2]

According to Confucius, the lazy man is very bad. He says: "Hard is it to deal with him who will stuff himself with food the whole day without applying his mind to anything. Are there not gamesters and chessplayers? To be one of these would still be better than doing nothing at all." [3] Confucius does not teach man to be a gamester or chessplayer, but he still thinks that they are better than the idler. Therefore, either physical work or mental work is necessary for the life of man.

Second, let us see why work is just. Confucius says:

> What the superior man calls justice, is that noble and mean all do their work in the world. The emperor himself ploughs the ground for the rice with which to fill the vessels, and the black millet from which to distil the spirit to be mixed with fragrant herbs, for the services of God; and the feudal princes are diligent in discharging their duties to the emperor.[4]

Indeed, in the world none should be idle. Even the emperor and the princes must have to do their work; it is what the superior man calls justice. In other words, not to work is unjust.

[1] *Classics,* vol. iii, pt. i, pp. 226-7, 239, 241.

[2] *Classics,* vol. v, pt. i, p. 318.

[3] *Classics,* vol. i, p. 329.

[4] *Li Ki,* bk. xxix, p. 338.

Third, let us find out how work is honorable. Take Confucius for example. He was a good worker. He was once keeper of granaries, and his calculations were all correct. He was once in charge of the public fields, and the oxen and sheep were fat, strong, and superior.[1] Confucius worked in many ways, and was famous on account of his various abilities. But he himself spoke of it modestly: "When I was young my condition was low, and therefore I acquired my ability in many mean matters."[2] This was only a modest description of himself, but it indicates that he did not think work a dishonor to the worker.

For the illustration of this principle we may go to Mencius. He says:

> Shun rose from among the channelled fields. Fu Yüeh was called to office from the midst of his building-frames; Chiao Ko from his fish and salt; Kuan Yi-wu from the hands of his gaoler; Sun-shu Ao from his hiding by the seashore; and Pai-li Hsi from the market-place. Thus, when Heaven is about to confer a great work on any man, it must first exercise his mind with suffering, and his sinews and bones with toil; expose his body to hunger; subject him to extreme poverty; and confound his undertakings. By all these methods it stimulates his mind, hardens his nature, and supplies his incompetencies.[3]

According to Mencius, all great men are developed by hardships. Therefore, the farmer, the artisan, or the merchant may become a great emperor or a great minister. His conclusion is this: "Life springs from sorrow and calamity, and death from ease and pleasure." Therefore,

[1] *Classics,* vol. ii, pp. 383-4. [2] *Classics,* vol. i, p. 218.

[3] Shun was the best emperor; Fu Yüeh and Chiao Ko were great ministers of the Yin dynasty; Kuan Yi-wu (Kuan Tzŭ), Sun-shu Ao, and Pai-li Hsi were great ministers of the states of Ch'i, Ch'u and Ch'in. *Classics,* vol. ii, pp. 446-7.

we should not dislike work, and should accept the hardship with thankfulness to Heaven. Indeed, poverty is a condition under which great men are produced, and a man's working does not bring him any dishonor at all. Under the influence of such teachings, the poor may keep their ambitions even higher than the rich, and workingmen may hold an honorable position in society.

IV. ABSENCE OF SLAVERY

In Chinese history there is a very glorious thing—that is, China has never had slavery existing as a general institution. Under the *tsing tien* system every one received one hundred acres of land from the government, so that every one was a landlord. Who would be a slave? And how could slavery come to exist? Since the land was rich and easily cultivated, and landholding was limited to one hundred acres, there was no need of slaves. Moreover, such intensive cultivation was not fitted to slave labor, and the free labor would not permit slavery to exist, under competition, because there was a large population. Furthermore, China has been an agricultural country, and the Chinese have been a diligent people, since the remotest times. Therefore, they made agriculture the fundamental and honorable occupation, and even the emperor took up such work. The theory that slavery becomes an institution most often in the agricultural stage seems refuted when we study Chinese history. Slavery may have existed in the prehistoric period, but if so there is no trace of it.

Although China had no slavery as a general institution, there were still a few slaves. According to the *Official System of Chou*, slavery resulted from crime. But no innocent man became a slave. It was only a kind of punishment, and it exempted those who had titles and those whose age was either above seventy or below eight.[1] But it was

[1] Ch. xxxvi.

not a social or an economic institution. Hence, Hsü Shên's *Dictionary* defines the word slave as the criminal of the ancients.

Such are the facts of history. Now, we come to the teachings of Confucius. According to him and his school, there should be no slavery. The social classes are five—emperor, princes, great officials, students, and common people. The groups of people are four—student, farmer, artisan, and merchant. But there is no such class or group as that of slave. According to his system, all the menial work in the family is done by the son, the daughter and the daughter-in-law; in society, by young men; in the government, by government employees. There is no need of slaves. Take Confucius himself for example. He lived in the style of the great official. Yet he had no slave, and not even a servant. The drivers of his carriage were his pupils, such as Fan Ch'ih and Jan Yu. When he employed a boy as the bearer of a visitor's card, he meant that it should teach the boy a lesson.[1] Even for himself, he said, "I will take up driving as a profession."[2] Therefore, Tzŭ-hsia taught his pupils to sprinkle and sweep the ground, to answer and reply, and to advance and recede.[3] These things are the necessary lessons of a servant, but Tzŭ-hsia took them to teach his pupils. This shows that everyone should learn the duties of a servant, because in the ordinary life there was no servant. Confucius says: "Among all the lives given by Heaven and Earth, that of man is the noblest."[4] According to the system of Confucius, there is absolutely no slavery.

Although China had no slavery before Confucius, and

[1] *Classics,* vol. i, p. 293.

[2] *Ibid.,* p. 216.

[3] *Ibid.,* p. 343.

[4] *Sacred Books,* vol. iii, p. 476.

although Confucius' system has no slavery, the economic condition changed in the Ch'in dynasty. After the *tsing tien* system was destroyed (202 A. K. or 350 B. C.), continuous wars went on, taxes were very heavy, and wealth was unequally distributed, so the poor people were unable to maintain their independent condition. Hence, the market of slaves was established, and there was traffic in slaves who came from the kidnapper and the robber.[1] Therefore, slavery arose during the Ch'in dynasty.

In 347 A. K. (205 B. C.), during the war between Han and Ch'u, a great famine occurred, so that the people ate human flesh. Then Han Kao Ti permitted the people to sell their sons. It was the first time that the people were allowed to sell themselves as slaves. But, in 350 A. K., when Han Kao Ti conquered Ch'u and became emperor, he issued a decree: "The people who have sold themselves to be slaves of others on account of famine are all emancipated as free citizens." This shows that slavery was not an institution. But it was bad enough that criminals became government slaves and that the poor sold themselves as private slaves. The slaves, however, were very few in number and did not form a special class. They should be called servants rather than slaves. For example, Wei Ts'ing (died in 446 A. K. or 106 B. C.) was a slave. But he was later the commander-in-chief of the army which conquered the Huns, the marquis of an honorary estate amounting to twenty thousand two hundred families, and the husband of the oldest sister of Han Wu Ti.

The first to make a public announcement against slavery was Tung Chung-shu. In 432 A. K. (120 B. C.) he petitioned Wu Ti in the following words: "We should abolish slavery, and prevent the master from killing the slave by

[1] *History of Han*, ch. xcix.

arbitrary oppression." [1] But this proposal was not carried out by Wu Ti.

The first to abolish slavery was Wang Mang. In 560 A. K. (9 A. D.) he decreed that all slaves should be called "private dependents," and should not be bought and sold. But there was still slavery as a punishment. Since his government was not successful, in 563 A. K. he allowed the people to sell and buy the "private dependents." [2]

The Confucian emperor most influential in the abolition of slavery was Kuang-wu, whose reign was from 576 to 608 A. K. (25-57 A. D.). In 577 he decreed: "The people have formerly married their wives away and sold their sons; now they are all allowed to go back to their parents if they wish. Who dares to hold them shall be punished according to law." In 581 he decreed: "The officials and the commons who, during the time of Wang Mang, were subdued to slavery without the accordance of old law, are all emancipated to be free citizens." In 582 he decreed: "The officials and the commons who became slaves or inferior wives, either on account of famine and warfare or through the robbers of Sü Chow and Ts'ing Chow, are all allowed either to go or to stay, as they please. Who dares to hold them and not give them return shall be punished by the law of selling persons."

In the second month of 586 he decreed: "'Among all the lives given by Heaven and Earth, that of man is the noblest.' If anyone kills a slave, his crime cannot be less than ordinary murder." In the eighth month he decreed: "He who dares to torture a slave with fire shall be punished according to law, and those who are tortured are emancipated as free citizens." In the eleventh month he abolished the law that the slave who wounded any person was to be punished by death.

[1] *History of Han,* ch. xxiv. [2] *Ibid.,* ch. xcix.

In 587 he decreed: "The people of Lung[1] and Shu[2] who were captured and made slaves, whether those who have appealed to the courts or those who have not been reported by the judges, are all emancipated to be free citizens." In 588 he decreed: "Since the eighth year [583], the people of Yi Chow[2] who were captured and made slaves are all emancipated to be free citizens. Those who depend on others as inferior wives are all allowed to go away if they wish. Who dares to keep them shall be punished by the law of capturing persons, as it has been applied to Sü Chow and Ts'ing Chow." In 589 he decreed: "Since the eighth year, the slaves of Yi Chow[2] and Liang Chow,[1] who have appealed to the local courts, are all emancipated to be free citizens. Those who were sold need not pay back the price to their owner."'[3]

In Chinese history, although there were many emperors who freed slaves, Kuang-wu was the most important. He decreed freedom to the slaves nine times. Since his reign, China virtually has had no slaves at all. Some other emperors paid the price to the slave-owner, but he did not do so. He was the Abraham Lincoln of China, but he abolished slavery without civil war. In an absolute government, although the emperor can do wrong easily, he can also do good easily.

Unfortunately, during the disturbance of the Five Barbarians (855-990 A. K. or 304-439 A. D.) and the conquest of the Tartars and the Mongolians, slavery was introduced into China by those barbaric tribes. From the Northern Wei dynasty to the beginning of the present dynasty (937-2195 A. K. or 386-1644 A. D.), however, the slaves were generally not actual slaves. They were

[1] Kansu province. [2] Szechuan province.

[3] *History of Latter Han*, ch. i.

mostly persons who pretended to be dependents of noble or rich families in order to escape taxes. At the end of 2460 (Jan. 1909 A. D.) slavery was absolutely abolished in China.

We cannot say that China had no slaves at all. But we deny that China had such slavery as that of ancient Greece and Rome or that of the United States before the Civil War.

CHAPTER XXI

Agriculture

I. IMPORTANCE OF AGRICULTURE

Basing our classification on the system of four groups, we shall divide the branches of production into three categories—namely, agriculture, industry and commerce. Although the group of students is productive like the other three groups, they do not produce material wealth. Therefore we shall take up the other three groups first, discussing the productivity of students later.[1] Among these three groups the farmers stand first; hence, we shall begin with agriculture. As man is supported by food, and food comes from the land, agriculture is always the primary occupation. And as the land of China is fitted to agriculture, and she has had a large population, the Chinese always attach the chief importance to agriculture. Therefore, the Chinese economy is mostly an agricultural economy.

The importance of agriculture is indicated in the "Great Model." We have already seen that the "Great Model" puts food and commodities as the first and second of the eight objects of government.[2] For this reason it says: "It is on the basis of agriculture that the eight objects of government can be attained."[3] It is very clear that the "Great Model" lays the emphasis on agriculture, because food is the first of the eight objects.

[1] See *infra*, pp. 487-8.

[2] See *supra*, p. 50.

[3] *Classics*, vol. iii, pt. ii, p. 324.

Since ancient times there has been a system of "borrowing field". This field contains one thousand acres, and the emperor cultivates it personally. As the emperor has no time to finish the cultivation of the whole field, and so borrows the labor of the people, it is called borrowing field. In 276 B. K. (827 B. C.), when Hsüan Wang did not plough the borrowing field, Duke Wên of Kuo gave him a remonstrance. In its beginning, he pointed out the importance of agriculture as follows:

> The greatest business of the people is agriculture. From agriculture, the millet which is used for the sacrifice to God is produced; the density of population grows; the expense of the businesses is supplied; social harmony and peace arise; the multiplication of wealth begins; and the characters of honesty, great-mindedness, integrity and solidity become a general habit of the people.[1]

According to the *Record of Rites*, in the first month, the emperor selects a good day, puts the plough in his own carriage, and conducts his three ducal ministers, nine high ministers, the feudal princes, and his great officials, for the personal cultivation of the "borrowing field." The emperor ploughs the land three times, each of the ducal ministers five, and the other ministers and feudal princes nine.[2] This system is significant from two points of view. In the first place, it touches religion. The "Principles of Sacrifices" says that this system is for the service of Heaven, Earth, the spirits of the land and grain, and the ancestors, because the new wine, cream, and vessels of grain are made from the products of the borrowing field. This procedure, then, is a great expression of reverence.[3] It is significant,

[1] *Narratives of Nations*, bk. i.

[2] *Li Ki*, bk. iv, pp. 254-5.

[3] *Ibid.*, bk. xxi, p. 222.

too, from the economic viewpoint. The emperor, honorable as he is, ploughs the field personally; it is an encouragement of agriculture. To-day this system still exists, and the emperor and his representatives all perform this service throughout the provinces. This shows well the importance ascribed to agriculture.

In the 28th year of the reign of Duke Chuang the *Spring and Autumn* records: "There is greatly no wheat and rice." This means that there was a great famine. In 432 A. K. (120 B. C.) Tung Chung-shu said to Han Wu Ti:

> The *Spring and Autumn* does not record any other grain. But, when wheat and rice have no crop, it records them. By this statement it shows that the Holy Man gives the greatest importance to wheat and rice among the five grains.[1] Now, the people of the metropolitan province[2] have a custom of disliking to plant wheat. It loses annually what the *Spring and Autumn* regards as important, and diminishes the nourishment of the people. I wish your Majesty graciously to decree that the Minister of Agriculture order the people of this province to plant more wheat without delay.[3]

This proposal was carried into effect. Thus we see the theory of Confucius put into practice.

All the Confucians are in favor of agriculture, and it is needless to quote all their words on the subject. During the Han dynasty there was a popular theory that the great profit of the world, in last analysis, is ascribable to agriculture. In urging the importance of agriculture, Chao Tso speaks strongly. He says that poverty comes from insufficiency of food, and insufficiency of food from the neglect of agriculture. When the people neglect agricul-

[1] The five grains are rice, millet, panicled millet, wheat and pulse.

[2] Shensi province.

[3] *History of Han*, ch. xxiv.

ture, they do not become attached to the land. If they are not attached to the land, they leave their families and towns carelessly, like birds and animals. Hence, emigration takes place. Then he makes a comparison between the pearl, jade, gold and silver, and the grain, rice, cloth and silk, and says that a wise ruler should value grain more highly than gold and jade. His conclusion is this: the most important thing is to direct the people to work earnestly in agriculture. For this direction, the grain must be valued highly; and the policy of giving high value to grain is to make the grain an object of reward. Therefore, the government should order the people to turn over their grain to the government. If the people do so, they may either get honorable titles or be relieved from punishment. In this way the rich can receive titles and the farmer can make more money by the increasing demand for grain. Since those who can send grain to the government for the receiving of titles must be the rich, if the state takes the superabundance from them for its expenditure, the taxes of the poor can be reduced. This may be said to be diminishing superabundance to relieve insufficiency. The results of this policy will be three: to make public expenditure sufficient, to reduce taxation, and to encourage agricultural industry. This is the policy of Chao Tso, and it was carried out very successfully by Han Wên Ti. Although Chao Tso does not understand the law of diminishing returns since he says that the grain which is produced by the people will grow in the land without deficiency, his whole essay has had a great influence in emphasizing the importance of agriculture.[1]

II. AGRICULTURE NOT THE ONLY PRODUCTIVE OCCUPATION

Although Confucius thinks that agriculture is most im-

[1] *History of Han*, ch. xxiv.

portant so far as food is concerned, he does not think that every one should be a farmer, and that besides agriculture there is no productive labor. To prove this point there is a case in the *Analects*. One day Fan Ch'ih requested Confucius to teach him husbandry. He said: "I am not so good for that as an old husbandman." Then Fan requested Confucius to teach him gardening. He replied: "I am not so good for that as an old gardener." [1] Although Confucius had shown his disapproval of Fan Ch'ih's learning agriculture by these two answers, yet he was still afraid that Fan would fail to understand. Therefore, when Fan Ch'ih had gone out, he said: "A small man, indeed, is Fan Hsü!" Then he described the effect of a good government upon the people, and his conclusion was that there is no need of the knowledge of husbandry. Confucius said this, intending that it should be repeated to Fan Ch'ih.

The reason Confucius refused to teach Fan Ch'ih agriculture is that agriculture is an occupation of the common people only, and it should not be learned by the students. Since the students are the candidates for the public offices, they should learn how to manage the government and how to influence the people, but they should not learn how to practise agriculture. Moreover, as Confucius was a great reformer, and Fan Ch'ih was his pupil, why should he ask him about such a small thing as agriculture? It indicated that the ambition of Fan was not higher than to become a farmer. Therefore, Confucius pointed out the great influence of a good government affecting the people, and said that agriculture is not a necessary thing for a student. In short, Confucius taught Fan Ch'ih politics instead of agriculture. Therefore, according to Confucius, agriculture is the profession of only one of the four groups of people,

[1] From this conversation we know that there was the science of agriculture. *Classics,* vol. i, pp. 264-5.

and the student may produce even more utility for society than the farmer.

For this reason most of the pupils of Confucius were not farmers. Take Tzŭ-lu, for example. When he followed Confucius and happened to fall behind, he asked an old farmer, "Have you seen my master?" The answer was: "Your four limbs are unaccustomed to toil; you cannot distinguish the five kinds of grain—who is your master?" [1] We may take the words of the old farmer as typical of the pupils of Confucius.

In Mencius' time there was a founder of the agricultural school named Hsü Hsing.[2] He pretended that he studied the doctrine of Shên Nung. He had a large number of disciples, "several tens" in all. All of them wore clothes of haircloth, and made sandals of hemp and wove mats for their living. His doctrine is this: A wise and able ruler should cultivate the land equally and along with his people, and eat the fruit of his labor. He should prepare his own meals morning and evening, while at the same time he carries on his government. A ruler should not have granaries, treasuries, and arsenals. If he has such things, it is oppressing the people for his own support.[3] His doctrine is extremely democratic, but it is impracticable, because it implies the abolition of government and advocates the universal application of a communistic scheme.

The argument of Mencius against the doctrine of Hsü Hsing is based on the principle of division of labor.[4] But here we wish to show simply that Mencius does not

[1] *Classics,* vol. i, p. 335.

[2] Hsü Hsing's doctrine might come from Shih Chiao, the teacher of Shang Yang, since Shih Tzŭ advocated the same theory.

[3] *Classics,* vol. ii, pp. 246-7.

[4] See *infra,* pp. 485-6.

think agriculture alone productive. He makes use of historical facts for the support of his argument. For instance, he says: "Yü was eight years away from his home, and though he thrice passed the door of it, he did not enter. Although he had wished to cultivate the land, could he have done so?" "When the sages were exercising their solicitude for the people in this way, had they leisure to cultivate the land?" "He whose anxiety is about his hundred acres not being properly cultivated is a mere husbandman." "In their governing of the empire, were there no subjects on which Yao and Shun employed their minds? There were subjects, only they did not employ their minds on the cultivation of the land."[1] Thus we see that Mencius believes that public officers also are producers and that they should not take up the work of a farmer.

III. METHODS OF AGRICULTURE

In describing the form of the field, we have already shown the methods of agriculture in a general way. But we must now study them in some detail. The chief feature is the system of "alternative fields." It was a very old system, Hou Chi, the minister of agriculture of Emperor Yao (about 1732 B. K. or 2283 B. C.), being the one who invented it. As the acre was six feet wide and six hundred feet long, the system of alternative fields was to make three low lines within one acre. The low line was made by two ploughshares, and was a foot wide and deep and as long as the acre. In the field of one hundred acres there were three hundred low lines, and parallel with them were three hundred high lines. The seed was sowed into the low line, and the blade sprang up. When the grass of the high line was weeded out, the soil of the high line was put down

[1] *Classics*, vol. ii, pp. 251-3.

to the low one, in order to protect the root of the blade. In every time of weeding the root was protected by the additional soil. Such a process was repeated and repeated; hence, the low line gradually became higher and the high line lower. By summer the high line had disappeared, and the root was very deep. Therefore, the grain was able to stand against the wind and drought.

The reason this system was called alternative fields was this: since there were three low lines and three high lines within one acre, the low one and the high one were alternated every year. Therefore, the power of the soil was annually recovered and the crop was very good. In 463 A. K. (89 B. C.) this old method was put in practice again, and the annual harvest of the alternative fields exceeded that of those fields which were not alternative by more than one bushel to every acre. If this method was properly employed by a good farmer, the surplus doubled this amount.[1]

The second feature is cultivation by pairs. As the ploughshare made of metal was eleven inches long and five inches wide, the cultivation of land was carried on by two men using two ploughshares. Since the strength of one man was sufficient for one ploughshare, why should the cultivation be carried on by two? It was because the co-operative labor of two men was better than the individual power. This method also was invented by Hou Chi. The *Canon of Poetry* says: "Attend to your cultivation, with your ten thousand men all in pairs." Again it says: "In thousands of pairs they remove the roots."[2] According to the *Official System of Chou*[3] and the *Record of Rites*[4]

[1] *History of Han,* ch. xxiv.

[2] *Classics,* vol. iv, pt. ii, pp. 584, 600.

[3] Ch. xv.

[4] *Li Ki,* bk. iv, p. 308.

there was a local officer to arrange the pairs in the twelfth month. Such an arrangement was to equalize their ages and physical conditions. In Confucius' time this method still existed. The *Analects* says that Chang-chü and Chieh-ni were cultivating in a pair.[1] This method lasted during the Han dynasty.

The third feature is the ploughing with oxen. According to the *Canon of Mountains and Seas*, this method was invented by the grandson of Hou Chi, whose name was Shu-chün. In Confucius' time this method prevailed. Among his pupils, one was named Jan Kêng, and his designation was Po-niu; another was named Ssŭ-ma Kêng, and his designation was Tzŭ-niu. Jan and Ssŭ-ma were family names, and Kêng meant cultivation. Since there was a connection between cultivation and the ox, they both used the word Niu for their designations, because Niu meant ox. Moreover, Confucius himself spoke of "the calf of a ploughing cow."[2] Therefore, the Chinese began to employ the ox or cow for ploughing a long time ago, but they still do the same to-day. They very seldom employ the horse for this purpose.

The fourth feature is the application of agricultural chemistry. According to the *Official System of Chou*, there are nine kinds of soils. The different seeds are chosen to fit the different soils. The bones of different animals are boiled and their juice is discriminately used to soak the different seeds for the different soils; or the bones are burned and their ashes are put on different soils.[3]

The fifth feature is the two-crop system. We do not know when this system began, but we find a statement given by Hsun Tzŭ. He says: "Now, the land is pro-

[1] *Classics*, vol. i, p. 333. Ch. xvi.

[2] *Classics*, vol. i, p. 186.

ducing the five grains. If man cultivates it well, each acre will yield several bushels, and he will reap the harvest twice in one year."[1] Although the two-crop system might not have prevailed over the whole empire on account of different climates and soils, it was a great advance.

All these five things are most important methods of the ancient Chinese.

IV. EXTENSIVE AND INTENSIVE CULTIVATION

For the cultivation of land there are two methods, extensive and intensive. If the land is poor, the farmer must cultivate a larger area than if it is good, in order to get the same return. This is extensive cultivation. If the land is good, he may cultivate it intensively by using more labor and capital on a smaller area, getting the same return. This is intensive cultivation. The margin of extensive cultivation is determined by the imaginary boundary beyond which the land is not fitted to be used at all. The margin of intensive cultivation is determined by the law of diminishing returns. In a static condition, the productivity of labor and capital at these two margins will be equal.

For the extensive cultivation, there is a theory given by Chia K'uei (581-652 A. K. or 30-101 A. D.), commentator of *Tso's Commentary*.[2] He divides the land into nine kinds, and takes the best kind as the standard. In the best kind of land, which is rich and plain, one *fu*, 100 acres, is the unit; and nine *fu* is one *tsing*. Now, if you measure all the other eight kinds of land by the extent of nine *fu*, 900 acres, the differences will be: in the second kind, which is low and wet, nine *fu* is a *mu*, and two *mu* equal one *tsing*; in the third kind, the land between the dikes, nine *fu* is a *ting*, and three *ting* equal one *tsing*; in the fourth kind,

[1] Bk. x.

[2] *Classics*, vol. v, pt. ii, p. 517.

the low land with water, nine *fu* is a *kuei,* and four *kuei* equal one *tsing*; in the fifth kind, the land having sand and small stones, nine *fu* is a *shu,* and five *shu* equal one *tsing*; in the sixth kind, poor and salt, nine *fu* is a *piao,* and six *piao* equal one *tsing*; in the seventh kind, the hills, nine *fu* is a *pien,* and seven *pien* equal one *tsing*; in the eighth kind, the marshes, nine *fu* is a *chiu,* and eight *chiu* equal one *tsing*; in the ninth kind, the wooded mountains, nine *fu* is a *tu,* and nine *tu* equal one *tsing*. These nine kinds of land are the classification for the land tax, but they represent at the same time the different degrees of extensive cultivation. One *tsing* of the best land is the standard; and if we want to get the same return from the lower grades of land as that from the best, we must extend our cultivation over an area from two to nine times as great. The poorer the land, the larger must be its area.

Such a mathematical calculation is only a general theory and cannot be the exact measure of the value of the land. Yet it was the classification of the land tax of Ch'u (4 A. K. or 548 B. C.). Since Ch'u was a new country in southern China where the land was plenty but poor, extensive cultivation would prevail. In the Middle Kingdom, the China proper of the ancient times, the land was good, and the population was dense; hence, there was intensive cultivation. Taking ancient China as a whole, cultivation was mostly intensive, because, under the *tsing tien* system, one family cultivated only one hundred acres.

According to Mencius and the "Royal Regulations," intensive cultivation is this: When a farmer cultivates one hundred acres of land, together with some capital, such as manure, he gets different amounts of return from the land according to the intensity of his cultivation. If he is the best farmer, the return can support nine persons; next to the best, eight persons; if he is an ordinary farmer, seven

persons; next to the ordinary one, six persons; if he is a poor farmer, it can support only five persons.[1] In this case there is a certain area of land connected with a certain number of men. And yet the amount of return from the one hundred acres of land cultivated by one farmer varies. These differences come from the differences of cultivation. In fact, the amount of return is determined by the degree of intensity. However, why cannot the best farmer get more return than support for nine persons by putting more labor and capital in the one hundred acres of land? Because land is subject to the law of diminishing returns. Therefore, support for nine persons is the intensive margin of cultivation.

The theory of intensive cultivation was put into practice very successfully by Li K'o. His theory is called "the doctrine of exhausting land power." It is something like this: Within an area one hundred miles square, there are nine million acres. Taking away the mountains, marshes and city residences, one-third of this amount, there are six million acres of cultivable land. If the people cultivate it intensively, each acre can yield three additional pecks (*tou*) of grain. Therefore, even within an area one hundred miles square, the difference between an addition and a loss of grain will be one million eight hundred thousand bushels (*shih*). When this doctrine was applied to Wei, the state became rich and strong.[2] But why did Li K'o not say that the addition of grain per acre would be more than three pecks if the cultivation should be still more intensive? Because land is subject to the law of diminishing returns. Therefore, according to Li K'o, the additional amount of three pecks of grain is the intensive margin of cultivation.

[1] *Classics,* vol. ii, p. 376; *Li Ki,* bk. iii, p. 210.

[2] *History of Han,* ch. xxiv.

V. DIMINISHING RETURNS

For the law of diminishing returns, the Chinese do not give a complete principle. Yet they point out the facts. *Han's External Commentary of the Canon of Poetry* says: "The produce of the land cannot be increased, and the yielding of the mountains and marshes can be exhausted." [1] The first part of the sentence refers to agriculture, and the second to natural resources in general. This sentence shows a very good apprehension of essential elements of the law of diminishing returns.

When Yeh Shih describes the evils of congestion of the regions surrounding the capital,[2] he says:

> In the over-populated land, the people dig the mountains and dam the sea, picking out any profit which is left. While the productivity of the land is limited, the cultivation of the people is endless. Hence, it hurts the natural phenomena and injures the five elements. Therefore, the power of land is exhausted without supplying the demand of men, and the air becomes dry without the natural harmony.

These are the ill effects of over-population upon natural resources. In fact, the reason a large population living on a small area of land is an economic evil is because land is subject to the law of diminishing returns, a point shown very clearly by Yeh Shih.

VI. AGRICULTURAL LIFE

Let us study the agricultural life of the ancients as a whole, beginning with the earliest we can find. In the *Canon of Poetry* there is a poem written by the people of Pin, describing the economic life of Pin, at the time of Kung Liu (about 1245 B. K. or 1796 B. C.). It was

[1] Bk. v.

[2] See *supra*, p. 303.

presented by the Duke of Chou to the emperor as the foundation of the Chou dynasty. This poem is very valuable, giving us a picture of the actual life at that time. Therefore we shall give it fully.

In the seventh month, the Fire Star passes the meridian;
In the ninth month, clothes are given out;
In the days of the [eleventh] month, the wind blows cold;
In the days of the [twelfth] month, the air is cold.
Without the clothes and garments of hair,
How could we get to the end of the year?
In the days of the [first] month, we fix the ploughs;
In the days of the [second] month, we cultivate the fields.
Together with our wives and children,
We carry food to those southern acres.
The surveyor of the fields comes, and is glad to eat with us.

In the seventh month, the Fire Star passes the meridian;
In the ninth month, clothes are given out.
With the spring days the warmth begins,
And the oriole utters its song.
The young women take their deep baskets,
And go along the small paths,
Looking for the tender leaves of the mulberry trees.
As the spring days lengthen out,
They gather in crowds the white southernwood.
When the young ladies' hearts are wounded with hardship,
They begin to have the common idea with the princesses, wishing to marry.

In the seventh month, the Fire Star passes the meridian;
In the eighth month are the sedges and reeds;
In the silkworm month we strip the mulberry branches of their leaves,
And take the axes and hatchets,
To lop off those that are distant and high,
Only stripping the young trees of their leaves;
In the seventh month, the shrike is heard;
In the eighth month, we begin the spinning of flax.
We make dark fabrics and yellow;
Our red manufacture is very brilliant,
It is for the lower robes of our princesses.

In the fourth month, the small grass is in seed;
In the fifth, the cicada gives out its note;
In the eighth, we reap;
In the tenth, the leaves fall;
In the days of the [eleventh] month, we go after badgers,
And take those foxes and wild cats,
To make furs for our princesses;
In the days of the [twelfth] month, we have a general hunt,
And proceed to keep up the exercises of war.
The boars of one year are for ourselves;
Those of three years are offered to our lord.

In the fifth month, the locust moves its legs;
In the sixth, the spinner sounds its wings;
In the seventh, in the fields;
In the eighth, under the eaves;
In the ninth, about the doors;
In the tenth, the cricket enters under our beds.
Chinks are filled up, and rats are smoked out;
The northern windows are stopped up, and the doors are plastered.
Ah! our wives and children!
That the year is changing,
We enter these houses and dwell.

In the sixth month, we eat the sparrow-plums and grapes;
In the seventh, we cook the *kuei* and pulse;
In the eighth, we knock down the dates;
In the tenth, we reap the rice,
And make the spirits for the spring,
For the benefit of the bushy eyebrows;
In the seventh month, we eat the melons;
In the eighth, we cut down the bottle-gourds;
In the ninth, we collect the hemp-seed;
We gather the sowthistle and make firewood of the fetid tree,
To feed our husbandmen.

In the ninth month, we prepare the vegetable gardens for the stacks;
And in the tenth, we convey the sheaves to them,
The millets, both the early sown and the late,
With the rice, the hemp, the pulse, and the wheat.
O, our husbandmen,
Our harvest is all collected.
Let us go to the town, and be at work on our homes,

In the day time collect the grass,
And at night twist it into ropes,
Then repair quickly our houses in the fields,
For we shall have to recommence our sowing.

In the days of the [twelfth] month, we hew out the ice with harmonious blows;
And in those of the [first] month, we convey it to the ice-houses,
Which we open in those of the [second] month, early in the morning,
Having offered in sacrifice a lamb with scallions.
In the ninth month, it is cold, with frost;
In the tenth month, we sweep clean the stack-sites.
Every two bottles of spirits are arranged for the public banquet;
The lambs and sheep are killed.
We go to the public school,
Where we raise the cup of rhinoceros horn,
And wish our lord long life,—that he may live forever.[1]

This poem is a description of the economic life of the ancient Chinese. The first stanza covers all the ideas of the whole poem, and the other seven stanzas give the details. The most important things of economic life are food and clothes. The former is produced by the labor of men, and the latter by that of women. The different kinds of grain are the principal articles of food, and the vegetables and fruits are auxiliary. The silk and flax are the principal materials of clothes, and the furs are auxiliary. These two, food and clothes, are the chief subjects of this poem. Besides the economic life, all the family life, social life, and political life are indicated by this poem. In fact, it pictures the golden age of the ancients.

In the beginning of the Han dynasty there was a policy of suppressing the merchants for the encouragement of the farmers. Yet the condition of the farmers was very bad, and the merchants took advantage of them. Chao Tso says:

[1] *Classics,* vol. iv, pt. i, pp. 226-233.

Now, if a farmer has a family of five persons, the number for serving at public labor is not less than two persons. But the land which he can cultivate is no more than one hundred acres, and the harvest of one hundred acres can be no more than one hundred bushels of rice. In spring, he cultivates the land; in summer, weeds the field; in autumn, gathers the harvest; in winter, stores up the grain. He cuts the woods, repairs the public buildings, and serves the public labor. He cannot escape from the wind and dust in spring, nor the heat in summer, nor the soaking rain in autumn, nor the cold in winter. Within the four seasons he does not have a day of rest. Moreover, he must pay the expense for the coming and going of his guests, the funeral and sickness of his friends, and the nourishment and bringing-up of his children. Working hard as he does, he still suffers from the calamities of flood and drought, and from oppressive government and uncertain taxation, which is different from morning to evening. When he has goods, he is compelled to sell them at half price; when he has nothing, he must borrow money at the rate of one hundred per cent. Therefore, among the farmers there are those who liquidate their debts by selling their farms or houses, their sons or grandsons.

On the other hand, the great merchants accumulate money and get interest at the rate of one hundred per cent; and the small ones sell goods in the market. They control extraordinary profit, and speculate around the market day by day. Taking advantage of any immediate demand of the government, they raise their price to double. Therefore, although their men do not cultivate and weed the land, nor their women take up the silkworm and weaving, their clothes must be of beautiful silk, and their food must be the best rice, together with meat. Without the hardship of the farmer, they secure hundreds or thousands of large coins. On account of their wealth, they connect themselves with the princes and marquises. Their power is even greater than the influence of the officials, and they control society by money. Traveling over thousands of miles in a great style, their carriages, horses, hats

and shoes all are of the first grade. Such a condition is the reason the merchants can crush the farmers, and the reason the farmers emigrate. To-day the law dishonors the merchants, but they are rich and honorable already; it honors the farmers, but they are poor and mean already.[1]

From the end of the Chou dynasty to the beginning of the Han dynasty, economic life was dynamic. Hence, the condition of the farmers was much worse than that of the merchants. What Chao Tso described referred to the beginning of Han, but it was true at the end of Chou. Such a condition began about the time of Confucius and it prevailed about the time of Mencius. But, since the policy of Chao Tso[2] was carried out by Han Wên Ti, the condition of the farmers was greatly improved, and during his reign and that of his son (373-411 A. K. or 179-141 B. C.) there was a golden age. In fact, this period was one of national prosperity based upon agriculture, and it was the result of encouraging agriculture.

[1] *History of Han*, ch. xxiv.

[2] See *supra*, p. 360.

CHAPTER XXII

Industry

The occupation of the group of artisans is industry. By industry, we mean the making of things by the power of man. The word handicraft gives the exact meaning, but we are obliged to use the word industry. In the Chinese language, the word *kung* really means industry, although the industry of the ancients was done by hand. Therefore we cannot use the word handicraft in place of the word *kung*. If we do so, it means that we must put the word *shou* before the word *kung*, "hand industry;" and such a term will change the sense of the word *kung* from a general and abstract sense, which can be applied to all ages, to a narrow and definite meaning, which is fitted only to the ancient time.

I. IMPORTANCE OF INDUSTRY

The importance of industry is indicated by Confucius himself. As we have seen, among the nine standard rules of a government, he says: "By inducing all classes of artisans to come in, wealth is made sufficient." [1] Therefore, if a government wishes to make the national wealth sufficient, it must welcome all classes of artisans, because they are the industrial workmen. It is industry alone that can produce new wealth, at all independent of nature. Industry can produce wealth in greater degree and more easily than agriculture. Hence Confucius does not mention agriculture in the

[1] See *supra*, p. 318.

nine standard rules. Commerce can only add to the utility of the existing wealth; industry produces new items of wealth. Hence Confucius ascribes to industry only the power of making wealth sufficient. From this passage, it is clear that Confucius thinks that industry is more important than both agriculture and commerce.

The reasons the Chinese make agriculture precede industry are, in the first place, that agriculture supplies food, and in the second place, that it furnishes raw materials. Therefore, in the process of production, agriculture comes naturally before industry. But as regards the efficiency of production, industry is under the absolute control of human power. Hence industry is more important than agriculture. The reasons the Chinese make industry precede commerce are still clearer. First, there can be little if any commerce unless there is some sort of industry. A good must be finished in the workshop before it can go to the market for sale. Therefore, in the process of production, industry comes naturally before commerce. Second, commerce is only an exchange of goods which have been produced, but industry is a creation of goods which have never before existed. Therefore, as regards the efficiency of production, industry has creative power much greater than that of commerce. Hence industry is more important than commerce. Indeed, agriculture, industry and commerce are all necessary, but industry is the most important branch of production.

II. DIVISIONS OF INDUSTRY

In ancient times, the kinds of industry must have been very few. But there were still six grand divisions of industry. According to the "Details of Rites," the emperor had six treasuries for the storing of products, and there were six superintendents in charge of them. These were:

first, the superintendent of the land; second, the superintendent of the wood; third, the superintendent of the waters; fourth, the superintendent of the grass; fifth, the superintendent of the manufactured articles; sixth, the superintendent of the mineral commodities. At that time, the taxes were paid in kind much more than in money. Therefore, the imperial government established the six treasuries for the keeping of the different commodities. All the products paid by the farmers, the foresters, the inhabitants along the waters, the gardeners, the artisans, and the merchants, were stored up in these six treasuries. The stores of these six treasuries came from the taxes, but they were mostly raw materials; hence, they needed to be manufactured.

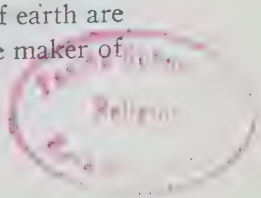
On this account there were six imperial factories. Hence industry was divided into six kinds, and thus there were workers in earth, workers in metal, workers in stone, workers in wood, workers in the skins of animals, and workers in twigs. These six factories were for working up the materials of those six treasuries.[1] The reason the six treasuries left out metal, stone, and the skins of animals, was because these were included in the manufactured articles and mineral commodities. For the same reason, the six factories left out the products of the water, the manufactured articles, and the mineral commodities, because they were included in the factories of metal-workers and stone-workers. The six factories, however, did not necessarily correspond with the six treasuries in details. For instance, the superintendent of the land had charge of the products of the farmer, which might be ready for consumption, but the factory of earth-workers was a factory of pottery. Therefore, the six treasuries were simply warehouses of the different products,

[1] *Li Ki*, bk. i, p. 110.

and their goods were not necessarily turned over to the six factories for production. On the other hand, the six factories were places for manufacturing different articles, and they did not necessarily take their materials from those six treasuries only. Of course, the six factories had a very close connection with the six treasuries, but there was no exact correspondence. The six treasuries and the six factories were the system of the Yin dynasty (1215-571 B. K. or 1766-1122 B. C.). Hence, we know that even at that time Chinese industry was divided up into six kinds.

During the Chou dynasty, industry was highly developed; yet there were still six kinds only. According to the "Record of Industry," there are the industry of wood, the industry of metal, the industry of skin, the industry of coloring, the industry of polishing, and the industry of earth. These are the grand divisions of industry.

For their sub-divisions, the branches of the industry of wood are seven—namely, the wheelwright, the carriage-wright, the bow-maker, the maker of the handle of different weapons, the mason, the car-maker, and the carpenter. The branches of the industry of metal are six—namely, the maker of the knife (used as a pen), the maker of different weapons, the maker of bells, the maker of measures, the maker of agricultural implements, and the sword-maker. The branches of the industry of skin are five—namely, the maker of armors of defense, the tanner of hides, the maker of drums, the worker in leather, and the furrier. The branches of the industry of coloring are five—namely, the design-drawer, the maker of embroidery, the dyer of feathers, the drawer of baskets, and the steeper of silk. The branches of the industry of polishing are five—namely, the lapidary, the comb-maker, the sculptor, the arrow-maker, and the maker of musical stones. The branches of the industry of earth are two—namely, the maker of different pots, and the maker of



different vessels. In the six grand divisions, four divisions are based upon materials, such as wood and metal; the other two, upon the nature of arts, such as coloring and polishing. The total number of the branches of industry is thirty, but this number is incomplete. These thirty branches are simply the representatives of the prominent skilled workmanship, and this Record does not give all the branches of industry of that time. Moreover, there is even a branch given in this Record which is not included in the thirty branches; the maker of the shaft where the yoke for the two inside horses is attached. Therefore, these thirty branches are merely examples.

All the thirty branches are government factories, and are controlled by officials. Hence they are subject to the promotion of the government. Since the progress of civilization is from simplicity to complexity, the division of labor follows the same law, and the domination of different industries changes along this direction. Therefore, in the Yü dynasty, the government promoted the industry of pottery; in the Hsia, that of masonry; in the Yin, that of carpentry; and in the Chou, that of carriage-making. Such a government promotion simply followed the natural course. In the Yü dynasty, society was simplest; hence, pottery was the prominent industry, because it was the simplest form of industry. In the Hsia dynasty, when "the great flood" had just been settled, there was a great demand for shelter, and the land needed the system of water-channels, so the industry of the mason was prominent. In the Yin dynasty, when civilization had advanced, and society had demands beyond the necessaries of life, the industry of the carpenter was dominant. According to the "Record of Industry," the works of the carpenter are: the making of the stands of the musical instruments, which are carved with the figures of animals; the making of drinking-cups; and the mak-

ing of the poles of the targets which are for the game of archery. Those things are far beyond the class of necessaries. In the Chou dynasty, when the civilization was most complex, and the division of labor was marked, the industry of the carriage-wright was dominant. Among all these industries, the carriage is the chief thing which, although itself a single article, concentrates many kinds of labor. The wheelwright, the carriage-wright, the maker of the shaft, the car-maker, all are the workers of a carriage. Since the economic life of the Chou was comfortable, the industry of the carriage was made prominent. In fact, the government promotion of industry is harmonious with the need of society at large, and the need of society is harmonious with the stage of civilization. Therefore, the higher civilization is, the more complex is industry.

III. FOUR ELEMENTS OF INDUSTRY

According to the "Record of Industry," industry depends upon four things: the season of the heaven, the climate of the earth, the goodness of the material, and the skill of the workman. Combining these four things, the article will be excellent.

(1) In some seasons, the heaven gives birth to a thing, and in some seasons, it kills it. In some seasons, the grass and trees grow, and in some seasons, they die. The stone sometimes dissolves, as in the hottest summer; the water sometimes freezes, and sometimes flows. These are the differences of seasons. For the adaptation to the seasons, we may take the bow-maker as an example. The materials of a bow are six: the strip of wood, the horn of the cow, the sinew of the brash animals, the glue of the cow, silk and varnish. The wood should be taken in winter; the horn, in autumn; the silk and varnish, in summer. For the making of a bow, in winter, the strip is divided up; in

spring, the horn is steeped; in summer, the sinew is made ready; in autumn, these three materials are united by the glue, silk, and varnish; in winter, the bow is finished, and its condition is fixed by the cold. In short, the different processes of making a bow are in harmony with the seasons. This is an example of the adaptation to the seasons of heaven.

(2) The knife of Chêng, the adze of Sung (both in the province of Honan), the knife used as a pen of Lu (Shantung province), the sword of Wu (Kiangsu) and Yüeh (Chekiang), all are very famous. Yet they could not be excellent, if they were made of the same materials, but changed to other localities. Therefore, any industry should be in harmony with the climate of the earth.

(3) The horn of Yen (Chihli), the wood for bow of King, the wood for arrow of Hu (both in Hupei province), and the metals and tin of Wu and Yüeh, are the materials of superiority. Therefore, any industry should take its materials from those places where they are especially good for the industry.

(4) In Yüeh, anyone can make agricultural implements, because its soil needs such things and its mines supply the materials. In Yen, anyone can make armors of defense, because its boundary is near to the Huns. In Ch'in (Shensi), anyone can make handles of weapons, because its woods are fitted to this occupation. In Hu (where the Huns live), anyone can make the bow and the car, because it is a nomadic country. This shows the different workmanship of different nations. Indeed, the skill of workmen is determined by the natural resources and the natural environment. Where the place is fitted to a particular industry, the people are accustomed to it, and develop a special skill. Hence, any industry needs the skill of the workman.

All these four things are important for any industry. If

the materials are good, and the workmen are skilful, but the article is not excellent, it may be because the article is made either during the improper season, or in opposition to the climate. These four things are the grounds upon which any industry is built. But the skill of the workman is the most important of all, because it can modify the other three elements.

IV. IMPORTANCE OF TOOLS

In the "Record of Industry," there are many details about the methods of industry. But they are very technical, and we shall not enter into them. Since those four elements of industry mentioned above left out the element of tools, which might be included in the element of skill, we now point it out especially, and show the importance of the tools.

The *Canon of History* quotes these words from Ch'ih Jên, a good historian of the ancients: "While in the employment of men we seek the old friends, in the employment of tools we seek, not the old ones, but the new." [1] Therefore any industry needs new tools. Since the newer tools are the better, there should always be a change in the methods of production. This principle of seeking new tools is a dynamic force in economic life.

The importance of the tools is indicated by Confucius himself. He says: "The artisan who wishes to do his work well must first sharpen his tools." [2] Therefore, next to the artisan himself, tools are most important. This is why capital is as important as labor in production. And this is why tools are the determining forces of industry. The artisan should improve his tools all the time, if he wishes to do good work.

[1] *Classics*, vol. iii, pt. i, pp. 229-230.

[2] *Ibid.*, vol. i, p. 297.

V. POSITION OF THE ARTISANS

For the position of the artisans, it is best to refer to the beginning of the "Record of Industry." It says:

A state has six functions, and the "hundred artisans" take up one of them. Some are sitting down and discussing the principles. Some are rising and executing them. Some are judging the curve, the plane and all the conditions of the materials, for the utilization of the five elements and the preparation of the articles. Some are transporting the valuable and strange goods of the four corners and storing them up. Some are using their energy for the increase of wealth from the land. Some are making the silk and flax ready for the finishing of clothes. Those who are sitting down and discussing the principles are called emperor and princes. Those who are rising and executing them are called students and great officials. Those who are judging the curve, the plane and all the conditions of the materials, for the utilization of the five elements and the preparation of the articles, are called the hundred artisans. Those who are transporting the valuable and strange goods of the four corners and storing them up are called merchants. Those who are using their energy for the increase of wealth from the land are called farmers. Those who are making the silk and flax ready for the finishing of clothes are called working women.[1]

In this statement we find four important points. First, it shows industrial democracy. It classifies the emperor, the princes, the students and the great officials along with the hundred artisans, the merchants, the farmers and the working women. All of them are in the laboring class. No one is personally higher than any other, but everyone must fulfil one of the six functions of the state; hence there is a division into six groups. Such a grouping system is not a caste, but a division of labor. Second, it attaches the chief im-

[1] *Official System of Chou*, ch. xxxix.

portance to industry. In the beginning, it especially gives emphasis to industry by saying that the hundred artisans take up one of the six functions. This shows that the artisans play the most important part in the economic functions of a state. Therefore, it puts the artisans in the third order, preceding the merchants, farmers, and working women. Third, it indicates the economic position of woman. It classifies the working women with the emperor and the princes, *etc.* This shows that women have economic independence, in forming a separate group from men, and that they have political rights, in bearing the function of a state, like the emperor and princes. Chêng Hsüan says: "Cloth is the task of the female officials." As women can be officials in the state, the political rights of women are obvious. Fourth, it indicates that every kind of labor is productive. The emperor and the princes, who are sitting down and discussing the principles, and the students and great officials, who are rising and executing them, are just as productive as the other four groups. Indeed, no one should be unproductive. These are the four significant points. And the chief point to which we want to call attention is that the artisans occupy a prominent position in the state.

VI. CONDITION OF THE ARTISANS

Since we have described the position of artisans in the state at large, we now come to consider the artisans themselves. Under this head, we may note six points. First, the government controls all the industries. In ancient times, the government was not only a political organization, but also an economic one. In the whole society, there is no greater industrial enterprise than that of government. It receives all kinds of products as taxes, so it has all the raw materials and unfinished goods. Hence, it has the means of production. Since the government contains a

large body of men, and is the richest organization of the whole society, it has the greatest power for consumption. Therefore the government factories rise. Every important industry has a factory, and all the factories belong to the department of labor. The artisans of high grade are government officers, while the common artisans are government employees. From this point of view, we may say that it is a factory system. The government is the employer, supplies all the materials and tools, takes the finished products, and pays the wages. But it does not sell the products which are produced in the factories, but consumes them itself. The employees are simply the wage-earners, dependent upon the government; but they may get good pay, because theirs is not forced labor, and the government does not lay the burden upon any particular group of people, as the artisans. Moreover, their work may be very regular, and unemployment is unknown to them. Therefore, we may venture to say that the conditions of artisans in the government factories are better than in the private factories.

Second, the different crafts are hereditary. The "Record of Industry" gives a definition of the word industry, as follows: "After the sage has invented a thing, the expert transmits it and holds it generation after generation—this is called an industry." Since the division of labor is not complete, the technical training is complex, and the secret of the industry is not written out, the artisans usually getting their special training from their fathers. Hence the craft becomes hereditary. This is not a caste system; but it necessarily comes about through specialization of industry, family education, and the careful transmission of secrets. Therefore, although the artisans have freedom of occupation, they usually take up the work of their fathers. But we must understand that any industry does not exclude the

outsider who does not belong to the same family. The fundamental thing is this; since the government controls all industries, there is no room for any private family to monopolize any industry. Because the crafts are mostly hereditary, however, the artisans sometimes adopt the name of their industry for their surname—Ch'iu (furrier), T'ao (potter), *etc.*

Third, every industry has a master to preside over the whole of it. He is an officer of the government. According to the "Record of Industry," the industry of carpentry has a master; from this we may presume that there is a master for every industry. Mencius speaks of the master of the workmen.[1] The duties of the master are to choose and to inspect the materials, to oversee the work, to test the finished articles, to educate the workmen, *etc.* But teaching may be the chief duty of a master. Mencius says: "A master-workman, in teaching others, uses the compass and square, and his pupils do the same."[2] The relation between master and workmen is in part like that between teacher and pupils. Such technical training is open to anyone who wishes to specialize in the particular industry, but we do not know the length of the term of apprenticeship.

Fourth, the artisans are mostly confined to a single industry for a lifetime. According to the "Royal Regulations," all the public artisans, who serve the government with their particular arts, are not allowed to practise any other thing, or to change their offices outside of their industry.[3] There are two reasons for this: first, it makes them concentrate their attention on their own specialization; and second, they are not qualified for general activities.

Fifth, the artisans live together in a special district, and

[1] *Classics,* vol. ii, p. 167.
[2] *Ibid.,* p. 421.
[3] *Li Ki,* bk. iii, p. 235.

by themselves. Since we have stated above the theory of Kuan Tzŭ—that the four groups of people are separated [1] —we need not enter into details now. On the one hand, they can easily learn their profession within their group; and on the other, they do not pay any attention to the outside. This is a scheme for specialization of arts.

Sixth, we are sure that the group of artisans is in the true handicraft stage. All those five characteristics belong to the artisans of the government factories, but they are common to all the independent artisans, except that the first and the fourth characteristics should be somewhat modified. The independent artisans, too, are controlled by the government; their crafts are hereditary; there is a master in every industry; they confine themselves to a single industry for life; and they live in a special district. But they have their own factory or workshop; buy their own materials and tools; sell their own products; and are both employers and employees. They are different from the artisans of the government factories. The latter are really in a factory system, and they are simply wage-earners; but the former are in the handicraft system. Tzŭ-hsia says: "The artisans have their shops to dwell in, in order to accomplish their works." [2] Such shops are in the market place, for the display and sale of goods. In so far as the artisans dwell in the shops, they are not only artisans, but also merchants. This is a very important characteristic of the independent artisan.

All these six characteristics mark the life of the artisans of ancient China, and they show the industrial conditions of the time. To-day, China is coming from the domestic system to the modern factory system, and industrial conditions are quite different from those of the ancients.

[1] See *supra*, pp. 368-9.

[2] *Classics*, vol. i, p. 341.

CHAPTER XXIII

Commerce

The occupation of the group of merchants is commerce. In it is included what economists call "exchange;" but we shall preserve the word commerce, because it is the usual designation of one of the four great groups of people. In the Chinese language, the group of merchants is divided into two classes. The one is called traveling merchant; he deliberates about the distance to be covered, makes calculations in regard to market conditions, and transports his goods to distant places. The other is called stationary merchant; he stores up goods, and waits for customers, in order to sell at a profit. Such a distinction might have been very important in ancient times, but it does not help us any to-day; hence, we shall use the word commerce to include these two classes of merchants, and make no distinction between them.

I. IMPORTANCE OF COMMERCE

Since the Chinese put merchants in the last of the four groups of people, a misconception has arisen. According to the common view, merchants belong to the worst class of people, because they do not make anything themselves, but simply pick up profit from things made by others. Moreover, they invite the hatred of the people by storing up commodities in order to raise their prices, and then selling them at a profit. This was the reason why Han Kao Ti (350-357 A. K. or 202-195 B. C.) forbade the merchants wearing silk and riding in carriages, and put a burden and disgrace upon

them by heavy taxes. It was the first law applied to the whole empire for the suppression of merchants.[1] From that time on, there were several periods in Chinese economic history in which merchants suffered a great deal. But such a policy is not according to the principle of Confucius.

As we have seen, in *Ku-liang's Commentary,* merchants are ranked next only to students,[2] and are not the worst class of people at all. The reason why the Chinese usually put the merchants in the last of the four groups is simply this. Since the farmers produce the raw materials, and the artisans the manufactured goods, the merchants who exchange the raw materials and the manufactured goods should not come before them. It is the order of the processes of production, not the order of social position, nor of moral distinction. Therefore, the Chinese call agriculture the primary occupation, industry and commerce the secondary occupations. It is the natural order of production, but there is no contempt for industry and commerce.

Confucius never underestimates the merchants. And before the Han dynasty, no Confucian ever advocated the policy of suppressing the merchants for the encouraging of farmers. The principle that the four groups of people are equally useful to society is pointed out by Yeh Shih as follows: "It is because the four groups of people all together contribute their usefulness to society, that civilization can be advanced. To depress the secondary occupations and to promote the primary one, is not a correct theory.[3]

The relative importance of agriculture and commerce

[1] Shang Yang was the first one who established the policy of supressing merchants for the encouragement of farmers (192-214 A. K. or 360-338 B. C.). See *Book of the Lord of Shang,* bk. ii; *Historical Record,* ch. lxviii.

[2] See *supra,* p. 367.

[3] *General Research,* ch. xx.

varies with the times. This principle is stated by Ssŭ-ma Chien as follows:

The *Canon of History* tells of the interval of the Tang and the Yü dynasties, and the *Canon of Poetry* relates the ages of the Yin and the Chou dynasties: In time of calm and repose, they honored the school as the chief social institution; they preferred the primary occupation at first, and put the secondary ones in the background; they used the rites and justice to control personal interest. But things change, and in the complexity of many causes, it is necessary to take the opposite view. Therefore, when a thing is at its apogee, it decays, and when a time comes to the climax, it turns. Sometimes the simple reality predominates, and sometimes the complex civilization; such is the evolution of an end and of a beginning.[1]

According to his theory, in a dynamic state and a complex civilization, commerce is naturally more important than agriculture. Therefore, even though the moral influence is weakened by economic interest, and capitalistic production destroys the equality of distribution, it is a natural result which is bound to come. In fact, when there is a universal empire, without struggle outside, and the people live on the social income by themselves, the Chinese attach more importance to agriculture; it is looked at from the standpoint of distribution. But, when there is a national struggle, they attach more importance to industry and commerce; it is looked at from the standpoint of production.

II. COMMUNICATION AND TRANSPORTATION

The important things helping the growth of commerce are communication and transportation. These two things

[1] *Historical Record,* ch. xxx.

usually work along the same line. Regarding communication, in Confucius' time it depended on the strength of horses and the speed and endurance of man. Therefore, Confucius says: "The flowing progress of virtue is more rapid than the transmission of royal orders by stages and couriers." [1] Along the roads, there were stations at fixed distances. As the government dispatch reached any station, the station employed its own stage or courier to transmit it to the next station, and the next station did the same. In this way, the dispatch was rapidly sent forward.

According to the *Law Code of the Ts'ing Dynasty*,[2] every fifteen miles a post station is established; and at every station, there are one postmaster and four postmen. Within twenty-four hours, the dispatch must pass over three hundred miles. The postman must not delay midway. When any dispatch comes in, no matter how many or how few, the postmaster must give it immediately to the postman without waiting for the coming dispatch. Such a system is the survival of an old fashion, but it is gradually being abolished.

Formerly, private letters were delivered by a private post-office. Now, communication is usually through the new postal, telegraph and telephone system. These three things belong to the Department of Communication and Transportation which controls also steamships and railroads (established in 2457 A. K. or 1906 A. D.).

Since transportation is even more important than communication, we shall discuss it at greater length. Since transportation by land was naturally easier than transportation by water, it shall receive first attention. According to his-

[1] *Classics*, vol. ii, p. 184.

[2] Ch. xxii.

tory,[1] Huang Ti was the inventor of the carriage; Shao Hao was the first one who used the ox to draw it; and Yao was the first one who used the horse. In ancient times, the use of oxen or cows for the drawing of carts was more common than that of horses.[2]

The "pointing-south car" was invented by Huang Ti. When he fought with Ch'ih Yu, the latter created a fog by magic power, and his soldiers missed their way. Huang Ti therefore invented the "pointing-south car" for the showing of direction. After the victory was won, this car was often used. During the Chou dynasty, when the envoy of Annam who came to pay the tribute to the court missed his way going home, the Duke of Chou made this car for him, and he arrived home in the length of one year. Therefore, this car always led the procession when the emperor went out, in order to impress the people. During the Latter Han dynasty, Chang Hêng (629-690, or 78-139 A. D.) began to make this car again. But the invention was lost during the revolutionary war of that dynasty. Under the reign of Wei Ming Ti (about 784-787, or 233-236 A. D.), Professor Ma Chün-shao was ordered to make it. On the top of the car, there was a wooden figure with hand raised, and always pointing south. But it was lost again during the revolution of the Tsin dynasty. In 968 (417 A. D.), this car was discovered, but its mechanism was not perfect. During the reign of Sung Shun Ti (1028-1029, or 477-478 A. D.), Tsu Chung-chih renewed and perfected it. In later times, there were many styles, but the essential, that is, pointing south, was always the same. The "pointing-south car" was of great importance to the development of transportation, because it was the origin of the compass.

[1] *General Research,* ch. cxvi.

[2] *Classics,* vol. iii, pt. ii, p. 404; vol. iv, pt. ii, pp. 356, 413.

According to the imperial procession, next to the "pointing-south car" was the "recording-miles-drum car." Within the car, there was a wooden person holding a hammer toward a drum, and striking the drum once when it passed each mile. It was discovered in 968, but the inventor is unknown. In later times, it had many modifications.[1] This original form of speedometer was also important to the development of transportation.

One of the most wonderful inventions along the line of transportation was the invention of "wooden oxen and flowing horses." In 782 (231 A. D.), Chu-ko Liang, the greatest statesman of the Three Kingdoms, invented the wooden oxen and the flowing horses for the transportation of food to his army.[2] They were labor-saving machines, and their operation was very successful. Unfortunately, after his death (785), no one was able to make use of his invention, although a description of it is still preserved.

Uniformity, which is a very important principle of Confucius, is especially applicable to the system of transportation. The "Doctrine of the Mean" says that all over the world carriages have wheels of the same size.[3] This is the theoretical view of the Confucians; it requires the roads of the whole world to be uniform. Such a theory will be easily realized when the railway system is perfected.

According to the "Royal Regulations," one road is divided up into three parts. Men take the right way; women take the left way; and carriages keep in the middle.[4] Therefore, the road is very broad; the two sexes are kept apart; and the carriages never can hurt the people. This is the general system of roads.

[1] *General Research,* ch. cxvii.

[2] *History of the Three Kingdoms,* ch. xxxv.

[3] *Classics,* vol. i, p. 424.

[4] *Li Ki,* bk. iii, p. 244.

According to the *Official System of Chou,* the system of roads is very complete. There is the surveyor (*liang jên*)[1] to fix the different standards of different roads, which vary in width from eight feet to seventy-two feet. There is the superintendent of strategical positions (*ssŭ hsien*)[1] to connect the roads through the mountains and rivers, and to plant trees along the roads. There is the inspector of hotels (*yeh lu shih*)[2] to look after the roads of the whole imperial state, and the stations, hotels, wells and trees along the roads. There is a general rule.[3] Every ten miles, there is a station along the road, and food and drink are served there. Every thirty miles, there is a lodging place, where the hotel stands; and within the hotel, a small store of grain is kept. Every fifty miles, there is a market place, where a tower is built; and within the tower, a large store is kept. All these public buildings are for the convenience of travelers. There is the chief of guards (*hou jên*)[4] who sends the guards carrying lances and halberds on the roads, for the safety of travelers. Finally and most important for the economic life, there is the officer called the combiner of all directions (*ho fang shih*).[5] His function is to control all the roads of the empire, for the exchange of wealth. Through these regulations prescribing the duties of different officers, the operation of an efficient system of roads is assured.

For transportation by water, we must go back to the "Tribute of Yü." This book is a description of the different water-ways by which the tribute of the nine provinces was presented to the capital city. The capital city was in Ki Chow, the present provinces of Chihli and Shansi. Along

[1] Ch. xxx.
[2] Ch. xxxvi.
[3] Ch. xiii.
[4] Ch. xxx.
[5] Ch. xxxiii.

the three directions of Ki Chow, west, south and east, there is the Ho, the Yellow River. The reason why the capital was there was for the convenience of transportation. According to the theory of Confucius, a capital must be in a place where the water-way is good, in order to facilitate the paying of visits and tribute by the princes, and the exchanges of the merchants. Therefore, the "Tribute of Yü," after telling about the taxation and the tribute of different provinces, describes the water-ways connected with the capital. The fundamental point was the Ho, because, when anything came to the Ho, it was easily conveyed to the capital. The routes to be taken by boats from the different provinces are described in detail. This is the oldest system of water transportation in the history of the empire.[1]

Transportation by sea can be traced back to the "Tribute of Yü." When Yang Chow (Kiangsu, Anhui, Kiangsi, Chekiang, Fukien) sent its tribute, they followed the course of the Kiang (the Yangtze River) and the sea, and so reached the Hwai and the Sze; then they came to the Ho. From the mouth of the Kiang to the mouth of the Hwai, however, are only six or seven hundred miles. The long way of transportation by sea conducted by the government really began under the Tang dynasty. In 1290 (739 A. D.), the governor of Yu Chow (Chihli province) was appointed as a commissioner of sea transportation. At that time, the rice of Kiangsu was transported by sea to Chihli for the support of the soldiers. During the Yüan dynasty, sea transportation became very important. It began in 1833 (1282 A. D.), and ended in 1914, about the end of that dynasty (1918). It transported rice from Kiangsu and Chekiang to Peking twice a year, and the annual amount of rice at the highest point was more than three

[1] *Classics*, vol. iii, pt. i, pp. 92-127.

million bushels. All the officials and the people were dependent upon this transportation.[1]

The "Tribute of Yü" describes the natural waterways; we come next to the system of canals. In ancient times, there was no canal for the purpose of transportation, because there was no need of it. In 66 A. K. (486 B. C), the first canal, which was called the Han Canal, was built, and it was the most important one. *Tso's Commentary* says: "This autumn, Wu walled Han, and thence formed by a canal a communication between the Kiang and the Hwai."[2] Before that time, these two large rivers had never been connected. It was only when the king of Wu wished to get the supremacy over the northern states, that he first opened this canal for the transportation of food to his army. It was to lead the water of the Kiang to that of the Hwai, and it was the basis of the Imperial Canal. In 1138 (587 A. D.), Sui Wên Ti opened a new canal on the west of the Han Canal. This was the first time that the water of the Hwai was led to the Kiang, but it was not large enough for the navigation of battle ships. In 1156 (605 A. D.), Sui Yang Ti employed more than one hundred thousand laborers for the enlarging of the new canal. Its length was more than three hundred miles, and its width was forty paces. The "dragon boats" could be navigated. Along the two sides of the canal, the imperial roads were built, and willow trees were planted on the roads. In the same year, more than one million laborers, including men and women, were employed for the opening of the Tung-chi Canal, in order to connect the Loh with the Ho and the Ho with the Hwai. In 1159, a similar number of laborers were employed for the opening of the Yung-chi Canal, which

[1] *Continuation of the General Research,* ch. xxxi.

[2] *Classics,* vol. v, pt. ii, p. 819. Han is the present Yangchow.

led the Ts'in southward connecting with the Ho, and northward reaching Peking. In 1161 (610 A. D.), the Southern Canal was opened from Chênkiang to Hangchow. Its length was more than eight hundred miles, and its width more than one hundred feet. Thus the Imperial Canal was completed. Since the large rivers of China run mostly from the west to the east, there is only the Imperial Canal running from the north to the south for a great distance. In fact, it connected the north and the south, and had a great influence upon every aspect of Chinese life. Before the modern railway system began, there was no means of communication comparable with the Imperial Canal.

For transportation by water, the best invention was the "thousand-miles ship". It was the invention of Tsu Chung-chih, and was made between 1034 and 1051 (483-500 A. D.). It was moved by machine power. When it was tested, it sailed more than one hundred miles in one day.[1] It was like the modern steamship, but it produced no practical effect.

III. WEIGHTS AND MEASURES

Among the instruments of commerce, the different kinds of measures are very important. In ancient China, all the measures were based upon the standard tubes. The twelve tubes were originally made by Huang Ti of bamboo, then of jade, and in the Han dynasty of brass or copper. They were a little more than three-tenths of an inch in diameter, and the circumference of the bore was exactly nine-tenths. The longest, called the "yellow cup," was 9 inches long, and the shortest, the "responsive cup," only 4.66 inches. Six tubes of them gave the sharped notes in music, and the other six gave the flat notes; the twelve together formed a

[1] *History of Southern Ch'i*, ch. lii.

chromatic scale. Besides their application to music, (1) the yellow cup was the standard measure of length. Since the breadth of a grain of millet made 1 *fên,* 90 grains determined the length of the yellow cup; 10 *fên* were 1 inch; 10 inches were 1 foot; 10 feet were 1 *chang;* and 10 *chang* were 1 *yin.* (2) The yellow cup was also the standard for measures of capacity. 13⅓ millet grains filled 1 *fên* of it, and 1200 grains filled the whole; so much made 1 *yo; 2 yo* made 1 *ko;* 10 *ko,* 1 *shêng* or pint; 10 *shêng,* 1 *tou* or peck; 10 *tou,* 1 *hu* or bushel. (3) This tube, again, supplied the standard for weights. 100 grains of millet weighed 1 *chu; 24 chu,* 1 *liang* or tael; 16 taels, 1 *chin* or catty; 30 catties, 1 *chün;* and 4 *chün,* 1 *shih* or stone. Therefore, it was said that the yellow cup was the basis of all human affairs.[1]

The comparison between the ancient measures and the modern measures we may state as simply as possible.[2] First, regarding the measure of length, the ancient foot was only 7.4 inches of the modern foot (the foot of the Department of Labor); and the modern foot is 1 foot 3.5 inches of the ancient foot. If we take this standard to measure the land, the ancient pace was 6 feet, and the modern pace is 5 feet; hence, the ancient pace was only 4 feet 4.4 inches of the modern pace, and the modern pace is 1 pace 7.5 inches of the ancient pace. In ancient times, 300 paces made 1 mile; and in modern times, 360 paces make 1 mile. Therefore, 100 miles of the ancient were little more than 55 miles and 22 paces of the modern. In ancient times, 100 paces made 1 acre; and in modern times, (from the Han dynasty to the present), 240 paces make 1 acre. According to the difference of measures, the 240 paces of the modern acre are little

[1] *History of Han,* ch. xxi.

[2] All the measures mentioned in this treatise refer to this paragraph.

more than 364 paces of the ancient. Therefore, 100 acres of the ancient were little more than 27 acres of the modern. Second, regarding the measures of capacity, the proportion is 10 to 2. For example, 10 pints of the ancient equaled only 2 pints of the modern.[1] Third, regarding weights, the proportion is 3 to 1. For example, the ancient weight of 3 catties equaled only 1 catty of the modern weight (since the Sui dynasty).[2] It thus appears that all the measures and weights of the modern are much greater than those of the ancient.[3]

Since the different measures are very important for human affairs, and especially for commerce, the government should pay much attention to them. According to the *Canon of History*, the Emperor Shun made a tour of inspection every five years; and during that time he made uniform the standard tubes, the measures of length, of capacity and of weight throughout the whole empire.[4] According to the *Record of Rites,* at the equinox of the second month, the government makes uniform the measures of length and capacity; the weight of 30 catties, the steelyard, and the weight of 120 catties. It corrects the peck and bushel, the steelyard weights and the bushel-scraper.

[1] *Canonical Interpretation of the Present Dynasty,* vol. xxxix, ch. ii.

[2] *General Research of the Present Dynasty,* ch. ii. .

[3] A comparison of modern Chinese measures and weights with English, results as follows: (1) The Chinese foot (*chih*) is fixed by treaty at 14.1 inches English, or 0.3581 meters. The Chinese acre (*mou*) is fixed by treaty at 733½ square yards, or 6.6 Chinese acres equal 1 English acre. A Chinese mile (*li*) is 360 paces or 1800 feet, and it equals 1894.12 English feet. (2) A Chinese pint (*shêng*) is about one-fourth less than an English pint. (3) The Chinese catty (*chin*) is equal by treaty to 1⅓ lbs. avoirdupois, or 604.53 grams. Except that the measurement of the pint is quoted from a note of Legge (*Chinese Classics,* vol. i, p. 185), all these statements are quoted from the *Chinese-English Dictionary* of H. A. Giles.

[4] *Classics*, vol. iii, pt. i, p. 36

And, at the equinox of the eighth month, it does the same.[1] Thus the government regulated the different measures twice a year. From these statements, it appears that in ancient China, the government gave much attention to the different measures in order to prevent fraud in commercial life.

During Confucius' time, the government did not pay attention to the measures, and there either were no special officers in charge of them, or the officers did not do their duty. Therefore, Confucius sets forth the rules of a government as follows: "Carefully attending to the weights and the measures of capacity; examining the standard tubes and the measures of length; and restoring the discarded officers who take charge of them—the good government will be prevailing over the four corners."[2] According to the principle of Confucius, the weights and measures are the most important instruments of commerce, and they must be regulated carefully and uniformly by the government. If they are correct, it is good not only for commerce, but also for political affairs as a whole.

IV. VALUE AND PRICE

The value of a thing is dependent not only upon its utility, but also upon its scarcity. Such a principle is given by Mencius. He says:

> The people cannot live without water and fire, yet if you knock at a man's door in the dusk of the evening, and ask for water and fire, there is no man who will not give them, such is the abundance of these things. A sage governs the world so as to cause pulse and grain to be as abundant as water and fire.[3]

According to this statement, water and fire have utility,

[1] *Li Ki*, bk. iv, pp. 260, 289.

[2] *Cf. Classics*, vol. i, p. 351.

[3] *Classics*, vol. ii, pp. 462-3.

because the people cannot live without them. But they have no value when they are abundant and can be obtained easily. On the other hand, pulse and grain have both utility and value, because they are limited in supply. Therefore, the sage wants to make them as abundant as water and fire. In other words, the sage wants to make economic goods as abundant as free goods. The multiplication of their quantity in supply is the fundamental cause of lowering their value, provided that there is a constant demand for them. If all the economic goods were converted into free goods, they would have no value, but utility, and the people would obtain them without payment; hence, the people would all be virtuous. This is the object of the sage who wants to solve the ethical problem by the solution of the economic problem; and this is also the principle of value.

The difference between economic goods and free goods is pointed out very clearly by Su Shih, a great writer of the Sung dynasty (1587-1652, or 1036-1101 A. D.). In one of his famous essays, he says:

> Generally, in the world, everything has its owner. If it does not belong to us, we ought not to take even a little bit. But the gentle wind above the river which is obtained by the ear as a sound, and the radiant moonlight in the mountain which is met by the eye as a beauty, are to be taken without prohibition, and to be consumed without exhaustion. They are supplied by the unexhausted treasury of nature.

His essay is not a treatise on economic subjects at all, but this statement is a good principle of economics. According to it, economic goods are limited in supply, and belong to their owners; but free goods are not limited in supply, and belong to nature only. Hence, the former have value, and the latter have not. Therefore, economic goods differ

from free goods as regards their supply; while as regards demand there is no difference between them.

Confucius very seldom speaks of price. But there is one statement in reference to price, and it is in harmony with economic principles. Tzŭ-kung asks Confucius: "There is a beautiful jade here. Should I lay it up in a case and keep it? or should I seek for a good price and sell it?" Confucius says: "Sell it! Sell it! But I would wait for some one to offer the price." [1] This conversation is not about an economic problem at all, but is allegorical. Tzŭ-kung takes the jade as the representative of Confucius, and then asks him why he should not offer himself for official employment. The answer of Confucius is that self-respect is more important and more proper than office-seeking. Therefore, he does not bend himself for the seeking of office. This is the whole meaning of this conversation. According to their words, however, it is a principle of price. Since price is determined by demand and supply, if the seller offers his commodity for sale before there is any demand for it, its price must be low; but, if he keeps it on his own hands and waits until the rise of demand, its price must be high. This is really a true principle of price, although it is stated in an illusive way.

Although Confucius very seldom spoke about price, he did influence the market price by his administration. According to Hsun Tzŭ, when he was about to become the minister of justice, the sellers of cows and horses in the state of Lu did not have fraudulent prices,[2] though fraudulent prices were common in ancient times. The sellers made devices to deceive the buyers for the purpose of raising prices, especially the sellers of animals. But, when Con-

[1] *Classics,* vol. i, p. 221.

[2] Bk. viii.

fucius was about to take that office, his moral influence prevailed even over the market place. Therefore, the whole market was free from fraudulent prices.

Mencius gave a very good principle about price, in his reply to Chen Hsiang, the follower of Hsü Hsing. After Chen Hsiang had been defeated by Mencius,[1] he advanced the following argument:

If the doctrines of Hsü Tzŭ were followed, then there would not be two prices in the market, nor any deceit in the state. If a boy of five cubits were sent to the market, no one would impose on him. Linen and silk of the same length would be of the same price. So it would be with bundles of hemp and silk, being of the same weight; with the different kinds of grain, being the same in quantity; and with shoes which were of the same size.

Mencius replied:

It is the nature of things to be of unequal quality. Some are worth twice, some five times, some ten times, some a hundred times, some a thousand times, some ten thousand times as much as others. If you reduce them all to the same standard, that must throw the world into confusion. If coarse shoes and fine shoes were of the same price, who would make the latter? For people to follow the doctrines of Hsü Tzŭ, would be for them to lead one another on to practise deceit. How can such doctrines avail for the government of a state?[2]

According to these arguments, Hsü's doctrine is that the price should be made uniform on the basis of the quantity of things: but Mencius' principle is that price should vary according to the quality of things. We cannot make a comparison between these two arguments, because the former

[1] See *supra*, p. 385, and *infra*, pp. 485-6.

[2] *Classics*, vol. ii, p. 256.

is obviously wrong, and the latter is obviously correct. We now simply explain the principle of Mencius. According to him, the value of a thing is determined by its quality, not by its length, nor by its weight, nor by its quantity, nor by its size. Now, we may ask what is the determining factor of the quality of a thing? In fact, the quality of a thing depends on the cost of making it. Therefore, if coarse shoes and fine shoes were of the same price, no one will make the fine ones. If we put it into modern terms, price is determined by the cost of production. When the cost of a thing is twice, or five times, or ten times, or a hundred times, or a thousand times, or ten thousand times as much as that of others, its price will be in the same proportion. This is true in regard to manufactured goods, and even in regard to natural goods, such as pearl and jade, they cannot get away from the cost element, because they are difficult to obtain. This theory is from the standpoint of the producer, but the producer really has a greater power in the making of price than the consumer. Therefore, the cost of production is a great element in determining price. Moreover, if we return to the beginning of the argument of Mencius, we must say that the price of all things is determined by the nature of them. By the phrase "nature of things," on the one hand, he means the utility which can be derived from them, and it is looked at from the point of view of the consumer; on the other hand, he means the cost which has been put into them, and it is looked at from the point of view of the producer. Therefore, Mencius' statement that price is determined by the nature of things is quite correct and conclusive, because it combines the utility element and the cost element.

There is a very close relation between consumers' wants and prices, and it is shown by the "Royal Regulations." It says: "[When the emperor makes a tour of inspection

throughout the empire], he orders the superintendents of markets to present lists of prices, that he may see what the people want. If their mind were luxurious, they would want the extraordinary things." [1] Chêng Hsüan explains: "If their wants are simple, the price of necessaries will be high; and if they are luxurious, that of luxuries will be high." Therefore, prices are the index of consumers' wants. If we do not know what is the characteristic of their wants, we may judge them by the lists of prices. In fact, the wants of consumers are usually the causes, and prices are their effects, although the latter may sometimes affect the former.

V. MONEY AND BANKING

1. *History of Money and Banking*

The history of Chinese money begins in the remotest time. It is said that money had been used since the reign of Pao Hsi (2402-2288 B. K. or 2953-2839 B. C.). During the dynasties of Yü and Hsia, three metals were used for money. Gold occupied first place as a standard, silver the next, and copper the lowest in the class of money.[2] According to the "Tribute of Yü," the provinces of Yang and King both sent these three kinds of metal to the imperial government as tribute.[3] We may say that the Chinese give us our oldest example of the gold standard.

During the beginning of the Chou dynasty, T'ai Kung established the nine treasuries to have charge of the money system. The gold money was an inch square, and its weight was one catty. The shape of copper money was round, and there was a square hole in its middle; its weight was counted

[1] *Li Ki,* bk. iii, p. 216.

[2] *Historical Record,* ch. xxx.

[3] *Classics,* vol. iii, pt. i, pp. 110, 115.

by *chu*. The name of the gold coin was catty, and that of the copper was coin.[1] According to Chia K'uei, the monetary system of all the four dynasties, the Yü, the Hsai, the Yin, and the Chou, was the same. They used gold, silver, and copper as the three kinds of money.[2] Therefore, the state of Ch'u had the treasuries of three kinds of money.[3]

We do not know the ratio of the three kinds of money during ancient times, but we do know it during the Han dynasty. At the time of Wang Mang (561 A. K. or 10 A. D.), the smallest copper coin, weighing 1 *chu*, was the unit, and the largest one, weighing 11 *chu*, was worth 50 of the smallest coins; a silver coin, weighing 8 taels, was the unit, and was worth 1,000 of the smallest copper coins; the gold coin weighed 1 catty, and was worth 10,000 of the smallest copper coins. These were the ratios of the three kinds of money in the Han dynasty. According to these ratios, one tael of silver exchanged for a little more than one catty and ten taels of copper, and one tael of gold exchanged for a little more than eight catties and two taels of copper. In fact, one tael of gold was equal to only five taels of silver. According to Hu Wei (his book was published in 2252, or 1701 A. D.), in ancient times, the value of all commodities was measured by the copper coin, and the value of copper coin was measured by the gold and silver coins. When the payment was large, gold and silver took the place of copper; and when gold and silver were insufficient, copper took their place, even though they were to be paid. This system was used to make the three kinds of money supplement one another.[4]

[1] *History of Han*, ch. xxiv.

[2] *Narratives of Nations*, bk. iii (commentary).

[3] *Historical Record*, ch. xli.

[4] *Canonical Interpretation of the Ts'ing Dynasty*, vol. ix, ch. vii.

During the Ch'in dynasty, there were only two kinds of money. Gold was the higher money; its weight was one *yi*, twenty taels; and its name was therefore *yi*. Copper was the lower money; it was inscribed with the two words, "half tael," and its weight conformed to the inscription. Han Kao Ti changed the weight of the copper coin, making it lighter, and also that of the gold money, which was one catty. Therefore, in the Ch'in dynasty and in the beginning of the Han dynasty the money systems were similar.

As China had used gold as the standard of money since the Yü dynasty, why did she give it up after the Tsin dynasty? In the first place, it was because gold had decreased in quantity. During the Chou and the Han dynasties gold was used by both government and people. The Han and the Northern Wei dynasties allowed the punishment of crime to be commuted with gold. In the Northern Wei dynasty, however, on account of the scarcity of gold, ten rolls of silk were accepted as the equivalent of one tael of gold. In the Tang dynasty, the ransom was paid with copper instead of gold. Therefore, the decrease of gold began in the period of the Southern and the Northern Dynasties. The causes for such a decrease were four. First, there was a great consumption of gold; the Buddhist church was the chief consumer, and the court was the second. Second, the gold was exported to foreign countries. Third, it was hoarded by those who kept it secretly. Fourth, few gold mines were opened, hence there was no production on a large scale. These reasons made gold scarce, and prevented China from using gold continuously.

In the second place, it was subject to Gresham's law. Except during the reigns of Han Wu Ti and Wang Mang, the Han dynasty had only two kinds of money, and each was as much legal tender as the other; hence, copper drove out gold. Although these two metals were ranked, one

higher and one lower, they were not equal in circulation, and the lower one became predominant. Moreover, as the commerce of the ancients was not highly developed, small payments were naturally carried on by the lower money. Therefore copper occupied the more influential place. The chief trouble was that, as there was no limitation put upon the quantity of the cheaper money, the people would use it not only for small payments, but also for large ones. They would either hoard gold or use it for other purposes, and gold gradually became only a commodity, but not money. Therefore, after the Tsin dynasty, gold ceased to be money.

Before the Ch'in dynasty, silver was used as one kind of money, ranking between gold and copper. But from the Ch'in dynasty to the Kin dynasty, silver was not money at all. It was used as money only during the reigns of Han Wu Ti and Wang Mang, but this system lasted but a short time. During the reign of Liang Wu Ti (1053-1100), southern China used gold and silver as money; during the Northern Chou dynasty (1110-1131), north-western China used them also; and through the Tang and the Sung dynasties, southern China still used silver. But such money was confined to certain localities Under the Kin dynasty (1748, or 1197 A. D.), silver began to be coined as money, and it has been used by the whole society to the present day

Throughout Chinese history, the chief kind of money was copper. For the copper money, we can speak generally. From the Ch'in dynasty to the Sui dynasty, the best coin was the "five chu", which was first coined by Han Wu Ti (434, or 118 B. C.). "This coin," says H. B. Morse, "also easily obtainable to-day, is beautifully cast, 0.95 inch in diameter, weighing to-day from 46 to 51 grains." From the Tang dynasty to the present day, the Kai-yüan coin has been of the standard type, which was first coined by Tang

Kao Tsu (1172, or 621 A. D.). With a diameter of 0.95 inch, it was presumably one-tenth of the modern tael of 570 to 580 grains.[1]

Paper money was a Chinese invention. The *Official System of Chou* speaks of the *li pu.*[2] Chêng Chung, the commentator (died in 634, or 83 A. D.), says: "It was a piece of cloth, stamped with seals and written with words, two inches wide and two feet long. It was used as money for the exchange of things."[3] Ho Yi-sun, living at the beginning of the Yüan dynasty, says that it was like the paper money of modern times. According to the same book, there was the "written tally."[4] It was made of a piece of wood, which was divided into two parts with inscription in their edge. Such a tally was paid and accepted by the buyer and seller, and it was inspected by the auditor of price. It resembled the check of modern times. Therefore, the forms of paper money were developed in the Chou dynasty, although the materials were not paper because at that time there was no paper.

The paper money issued by the government was an invention of the Tang dynasty. During the middle part of that dynasty, there was a scarcity of money; hence, money was not allowed to be taken out of certain localities. Therefore, during the reign of Tang Hsien Tsung (1357-1371), when merchants came to the capital, they deposited their money in the offices which represented the different pro-

[1] Here the English inch. *Currency in China,* p. 4. Morse also says: "Under the Chou dynasty, on the evidence of the coins, the *liang* of 24 *chu* was probably 97.5 grains, giving 4.06 grains as the weight of the *chu.*"—P. 8.

[2] Ch. xiv.

[3] Even though his commentary may not be correct, it is obvious that he had the conception of paper money.

[4] Ch. xv.

vinces at the capital, and received bonds from them. In this way, wherever they went, they drew money with their bonds very easily. This was called "flying money." Such a practice, however, was prohibited by the central government, because it thought that the offices would keep the money out of circulation, and the prices of commodities would be lowered. But the result was still worse than before. Therefore, in 1363 (812 A. D.), the government opened its own offices at the capital for carrying on the business of flying money—that is, the government issued bonds to depositors, and they exchange bonds for money at the great cities of different provinces. This was the first time that the government issued paper money. This system prevailed during the earlier part of the Sung dynasty (1511-1573).

During the Sung dynasty, while the flying money was like the bill of exchange, true paper money was introduced by Chang Yung in the province of Szechuan. This also was a spontaneous growth. On account of the weight and troublesomeness of the iron money, about 1556 (1005 A. D.), the people of that province issued notes privately which were called "changelings," for the convenience of exchange, and the notes were managed by sixteen rich houses.. In later times, when the rich houses became bankrupt, and were unable to pay their debts, there arose many lawsuits. Therefore, about 1572, the government established a bank in that province for the management of the changelings. After 1574 this kind of paper money prevailed over the whole empire; and throughout the Sung dynasty, there were many kinds of paper money.

Passing through the Kin, the Yüan, and the Ming dynasties, the chief kind of Chinese money was paper, especially during the Yüan dynasty. The only difference was that before the Kin dynasty the paper money represented only

copper, and that after the Kin dynasty it represented both copper and silver. But it would take too long to narrate the whole history of Chinese paper money, and the facts mentioned above are sufficient to show its origin.

We have no intention of discussing the private banking system,[1] but give only a general conception of the development of government banks. According to the *Official System of Chou*, there was a government bank called Money Treasury. It kept the money which came from different sources; bought and sold special goods; and lent money to the people either with or without interest.[2] This was the first government bank of China.

After the Chou dynasty, there was no government bank. Even during the Tang dynasty, when the flying-money system was in operation, there was no special bank, although there was a system of banking. The true government bank was established in the beginning of the Sung dynasty (1521, or 970 A. D.), for the operation of the flying-money system. It was called The Bank of Convenient Money. In later times, there were many banks for the management of the "changelings" and the "exchanges." During the Kin dynasty, the Exchange Bank was established in 1749 (1198 A. D.); and during the Yüan dynasty, the Level Standard Bank was established in 1814 (1263 A. D.), and its branches

[1] China has a very beneficial institution, known as the "money association." Each member contributes periodically a certain amount of money, and may get a large sum of it by offering the highest premium in a secret competitive bidding, or by lottery without interest when there is no demand for money. These associations are like co-operative banks, people's banks, and saving banks. We are told by tradition that this system was invented by Mang Kung, a hermit, living about the end of the Latter Han dynasty (771 A. K. or 220 A. D.). The great existing banks were established by the people of the Shansi province centuries ago, and they have branches throughout the whole empire.

[2] See *infra*, pp. 587-8.

were opened in different provinces. All these banks were for the issue and redemption of paper money.[1]

2. *Principles of Money*

(a) *General Principles*

Confucius does not give many principles about money, but we may set forth a few. First, money is necessary for the economic life of the people, and its importance is next only to that of food. Therefore, according to the "Great Model," first is food and second is commodities, among which money is the chief thing. Second, money is a commodity. It is a part of wealth, but it is not the only form of wealth. The "Great Model," therefore, includes it in the term commodities, and no one misunderstands and thinks that money is identified with all kinds of wealth.[2] Third, money is a medium of exchange. The *Canon of Poetry* says: "A simple-looking fellow brings money to buy silk."[3] Fourth, according to the "Tribute of Yü," there are three kinds of money—gold, silver and copper. Although this seems a trimetallic system, there is theoretically a gold standard, because gold is the highest kind of money, and silver and copper are the middle and the lowest. If we state it in modern terms, we may say that gold is the standard, and that the silver and copper are the subsidiary money.[4] These are the principles of Confucius himself.

Among the Confucians, there are many principles of money. Kuan Tzŭ was not a Confucian; but his theory was derived from the ancient kings, and it was common to the

[1] At the present time the money and banking system has not been well established. A central bank was opened, however, in 2456 (1905 A. D.), and the silver standard was adopted in 2461 (1910 A. D.).

[2] See *supra*, p. 50.

[3] *Classics*, vol. iv, pt. i, p. 97.

[4] See *supra*, p. 428.

Confucians. Therefore, we give his theory. According to him, money itself must have high value. Because it is an object which is difficult to obtain, it can measure the value of other things. Therefore, he puts pearl and jade as the highest kind of money, gold as the middle, and copper as the lowest. He says:

These three kinds of money cannot protect you against cold if you hold them, nor can they satisfy you against hunger if you eat them. By the use of them, however, the ancient kings guarded wealth, controlled human affairs, and equalized the world. Therefore, money was called standard, which means that it makes the rise and fall of price not affect the standard itself.

This theory has been accepted by the Confucians.[1] Indeed, the chief function of money is to serve as the standard of value.

(b) *Quantity Theory*

The most important theory is the quantity theory. It is the theory of the Confucians, but it had arisen before Confucius. According to the *Official System of Chou,* when there was a famine or epidemic, the government did not tax commodities, but coined money.[2] According to the *Narratives of Nations,* in 28 A. K. (524 B. C.), Duke Mu of Shan says:

In ancient times, when there was any natural calamity, the government coined money in accordance with its quantity and its value, for the relief of the people. If the people suffered from the cheapness of money, the government coined dear money and put it in circulation for them. Therefore, the dear money controlled the cheap money in the market, and all the

[1] *General Research,* ch. viii.

[2] Ch. xiv.

people got the benefit. If they felt the money too dear, the government coined more cheap money and put it in circulation, but did not abolish the dear. Therefore, the cheap money controlled the dear money in the market, and all the people were also benefited.[1]

This theory needs much explanation. First, we must understand why there should be a coinage of money during a period of natural calamities. In ancient times, not only were the metals money, but grain, too, was used as money. Grain, however, was not a standard of value, but only a medium of exchange. Therefore, whenever there was any natural calamity, it was like a crisis of modern times, because grain was very dear, and was not sufficient to be used as money. Hence, the government supplied metallic money to take the place of grain, and save it from being circulated, in order to leave it for food of the people. This was why money was coined at such a time.

According to the quantity theory, if money is more plentiful, prices are higher. Now, when grain is dear during a bad time, why should money be coined at all? It would raise the price of grain. In order to answer this question, we must understand the situation of the ancients. At that time the people were mostly farmers. They possessed their own grain for food, but could not get other necessaries unless they exchanged for them their grain. If they did so, their grain would not be sufficient for their own use. Therefore, the government supplied money for them, in order to enable them to exchange it for other things. This was simply to enlarge their purchasing power, but not to increase the price of grain particularly. Even if the farmers had not sufficient food, they could buy it with money, otherwise they had no medium of exchange

[1] Bk. iii.

at all. Therefore, even though the increased money raised the price of food a little, it still would be better for them than if they had no money at all. But how could the farmers get the money? It would be lent or distributed to them by the government during such a bad time. In short, the ancient government coining money for such purposes was like the modern government issuing bank notes for the relief of a crisis. There was really great demand for money, but not an over-supply of it.

Moreover, during famine or epidemic, commodities in general were cheap, except grain. The purchasing power of society was diminished, and the demand for commodities was lowered. The merchants would be ruined or discouraged, and the whole society became stagnant. At such a time, copper was also very cheap. Therefore, the government took the cheap copper and transformed it into money. Then it issued the money to the market for the raising of the price of commodities, in order to aid the merchants; and, if the merchants could not sell their goods, it would buy them with the money, so that they could utilize the money to do their business anywhere, and the whole society was stimulated. This explains why the government coined money during a bad time. Indeed, it was not contrary to the quantity theory, but in harmony with it.

Second, let us take up the quantity theory proper. According to the Duke Mu of Shan, the coinage of money should be in accordance with its quantity and its value. When there is an over-supply of money, its value is low, and the price of commodities is high. Therefore, the government should reduce the quantity of cheap money, and issue dear money. The dear money which is higher in value is called mother, and the cheap money is called son. The mother should be used as the standard, and the son as subsidiary. For instance, if the price of a thing is the sum of

eighty coins, fifty coins should be paid in the mother, and the other thirty in the son. This is a single standard. It is said then that the mother is controlling the son in circulation. This means a reduction of its quantity, and an increase of its value. Hence, price is lowered. On the other hand, when money is under-supplied, its value is high, and prices are low. Therefore, the government should issue more cheap money, but not abolish the dear money. Then the people can use the cheap money for general transactions, while the dear money is used only for large payments. The son, not the mother, becomes the standard. Then it is said that the son is controlling the mother in circulation. This means an increase in quantity, and a reduction in value. Hence the price is raised. This is a monometallic system, and the government controls the quantity of both kinds of money in order to adjust their value and the prices. Although there are two kinds of money, there is only one standard at a certain period of time. But the one standard is alternately changed with the other, according to the quantity of money. This is the quantity theory.

The quantity theory has been recognized by all the statesmen and scholars. Therefore, we shall not take up any other authorities, except to give the statement of Chia Yi. He says: "The government accumulates copper for the control of the value of money. When the value is low, it lessens the quantity by some policy; and when it is high, it distributes the money by some policy. Hence, the price of commodities must be equalized." According to this theory, the value of money is low because its quantity is too much; hence, it should be withdrawn. Its value is high because its quantity is insufficient; hence, it should be distributed. This is the control of the quantity of money by the government, and it adjusts the level of prices. This is the common theory of the Confucians.

(c) *Coinage*

From the beginning of history, money was always coined by the government. It was only during the reign of Han Wên Ti (377, or 175 B. C.), that the people were allowed to coin money. Against this law Chia Yi gave his protest. His theory is as follows: (1) It will induce the people to make great profit on a small part of illegal alloy, which cannot be stopped by punishment. (2) It will destroy the universal standard, and introduce confusion into the market. (3) It will encourage the people to leave the farms for the coining of unlawful money. These are the great calamities. On the other hand, if coinage is exclusively controlled by the government, there will be seven blessings. (1) The people are saved from crime. (2) The confidence of the people is established. (3) The miners and the coiners will return to their farms. (4) The government can control the quantity of money and equalize prices.[1] (5) The government can control the social order. (6) The government can control the demand for and the supply of commodities.[2] (7) It can compete with the Huns by financial control. Wên Ti did not accept Chia Yi's advice. In 408 (144 B. C.), this law was abolished by Ching Ti, and the law of punishing the coiner by death was enacted. Hence, the statement of Chia Yi has become a classical theory.

For the prevention of illicit coining, money should be according to the standard quality and weight. In 1033 (482 A. D.), K'ung Chi, a courtier, said that the reason illicit coining cannot be stopped by severe punishment is because the government coins bad money. Presuming that money is useless except as a medium of exchange, the government makes the money cheaper and more in quantity. Its object is simply to save the expense of metal and labor,

[1] See *supra*, p. 439.

[2] See *infra*, pp. 552-6.

but the results are very bad. This theory was recognized as the fundamental principle of coinage by Lü Tsu-chien, a great Confucian of the Sung dynasty (1688-1732, or 1137-1181 A. D.). He said that the reason the state coins money is for the establishment of the standard of value, and not for the making of profit. Those who do not understand economic principles clearly, recognize as a profit only the amount of seigniorage; but it is merely a small profit, while the controlling power of the state is a great profit. If the government does not save the expense, coinage has no profit. If it has no profit, illicit coining will not arise. If there is no illicit coining, the state controls exclusively the power of issuing and withdrawing money. As the government does not lose the power of coining money, it is great profit. If it looks only for the small profit, the money will be debased in weight and quality. Then all the bad people can coin money, and the state loses the controlling power. It is a loss of great profit for the sake of small profit. Therefore, good money is the prevention of the illicit coining, because there is no profit in the coining of money.

According to history, the system of free coinage was developed in 1046 (495 A. D.). During the reign of Shao-wên Ti of the Northern Wei dynasty, the government opened the mints and prepared the coiners. If the people wished to coin money, they were allowed to coin it there. The copper was required to be of the standard quality without any mixture. This law was probably for the encouragement of using money and for the supply of copper to the mint, because Shao-wên Ti was the first one of the Northern Wei dynasty who decreed that people should use money and who established the mint. If we put this law into modern terms, it was free coinage.

(d) *Paper Money*

To regulate the value of paper money, some provision for redemption is necessary. This theory was advocated by Shên Kai, and approved by Sung Kao Tsung (1678-1713). They held that the government should always have cash amounting to one million strings. If the price of the "changelings" decreases, the government should immediately buy the paper with the cash. In this way paper money will have no evil consequences. Ma Tuan-lin also gives a very good theory about paper money. He says: "Formerly, making paper on account of the heaviness of cash, paper was really convenient; now, making paper on account of the scarcity of cash, paper is really evil." According to their opinions, paper can represent money, but cannot be money itself. In other words, paper can be used when there is specie payment; but it should not be used when there is no specie payment.[1]

There is a very conclusive theory given by Yeh Tzŭ-ch'i.[2] He says:

The paper money of the Yüan dynasty was like the "changelings" and the "exchanges" of the Sung dynasty, and the "changeable paper" of the Kin dynasty. During their good time, they all used paper to represent cash. But, during their decay, when their money was not sufficient, they simply manufactured a great quantity of paper to be money. Therefore, the paper money was unable to measure the value of exchange, and all commodities were blocked in the market. Now, if we want to establish paper money, it is necessary to reserve cash as a fund. It should be like the certificate of tea or salt;

[1] Since 1682 A. K. (1131 A. D.), the banking bureau has co-operated with the commodity-taxing bureau, and commodities such as tea, salt, incense, alum, *etc.*, have been used unconsciously for the redemption of paper money, besides cash redemption. *General Research*, ch. ix.

[2] His book was written in 1929 A. K. or 1378 A. D.

when the certificate is presented, the tea or salt can be obtained immediately. If paper money is like this, how can there be the evil of not accepting paper? During the year of their reformation, they should establish banks in every prefecture and district, for the keeping of a certain amount of cash; and should issue paper according to the system of money certificate. They should do as Chang Yung, who used the "changelings" in Szechuan, and should choose the rich houses to manage the banks. When the certificate comes, the cash goes out; and when the certificate goes out, the cash comes in. Take the cash as the mother, and take the certificate as the son. The mother and son supplement each other, and control the price of all commodities. When the price is low, paper should be issued; and when the price is high, it should be withdrawn. Judging and adjusting the price according to the times, there is no reason why paper money should not be used. It is like the water of a pond. When the way of coming-in and the way of going-out are equal, the water will naturally flow and always be fresh. If only the way of coming-in is open, but the way of going-out is closed, the water will be stagnant, and the only result will be an overflow.

According to his theory, the best policy for controlling paper money is redemption, which is the way of going-out. But how can it be redeemed? It is by the reserve fund of cash, which is the mother. This is the fundamental principle of paper money. Adding to this, it should be also in harmony with the quantity theory, namely, the paper should not be issued beyond a certain limit even though there is the reserve of cash. But how can we know the exact amount according to which so much paper should be issued? It is judged by the price of all commodities. Indeed, price is the barometer of the quantity of money, either paper or coin. This is the theory of Yeh Tzŭ-ch'i.

(e) *Gresham's Law*

Fourth, since paper money was used under the Sung dynasty, there was a theory like Gresham's Law. Yeh Shih says:

> The men who do not inquire into the fundamental cause simply think that paper should be used when money is scarce. But, as soon as paper is employed, money becomes still less. Therefore, it is not only that the sufficiency of goods cannot be seen, but also that the sufficiency of money cannot be seen.

His statement combines the quantity theory and Gresham's Law. For the former theory, he means that the wealth of a nation is dependent upon the increase of goods, and not upon the increase of money. When goods are abundant, they will be cheap, and the value of money will be high. If goods are not sufficient, they cause the value of money to be low. Therefore, he says that the sufficiency of goods cannot be seen, because he compares the quantity of money with that of goods. For the latter theory, he means that paper drives out money when they are both circulated in the same market. As paper is employed, money is kept out of circulation. Therefore, he says that the sufficiency of money cannot be seen. This is in principle like Gresham's Law. Hence, we may say that Gresham's Law was discovered by Yeh Shih, because he saw the fact that paper drives out money.

Yüan Hsieh states Gresham's Law still more clearly. In 1774 (1223 A. D.), he says:

> Now, the officials are anxious to increase wealth, and want to put both iron money and copper money in circulation. If money were suddenly made abundant during a period of scarcity, it should be very good. But the fact never can be so. Formerly, because the paper money was too much, the copper money became less. If we now add the iron money to it,

should not the copper money but become still less? Formerly, because the paper money was too much, the price of commodities was dear. If we now add the iron money to the market, would the price not become still dearer? . . . When we look over the different provinces, the general facts are these. Where paper and money are both employed, paper is superabundant, but money is always insufficient. Where the copper money is the only currency without any other money, money is usually abundant. Therefore, we know that the paper can only injure the copper money, but not help its insufficiency.[1]

According to Yüan Hsieh, the evil of bimetallism is very clear. If iron money is employed side by side with copper money, it simply makes the copper still less, because iron is cheaper than copper, and the cheaper money always drives out dearer money. It is exactly the case when paper is employed side by side with copper money. If they both are employed, the copper will be driven out. If copper is the only money, it will remain sufficient. Therefore, the monetary system should choose a single standard. This principle is true in every case. It is true between iron and copper, but also true between silver and gold. In fact, it is Gresham's Law.

VI. COMMERCIAL REGULATIONS

According to the theory of Confucians, the government should take positive measures to regulate the commerce of the people. The "Royal Regulations" says:

All who have charge of the prohibitions for the regulation of the multitudes do not forgive transgressions of them.

[1] Those who have rank-tokens, the long or the round, and gilt libation-cups are not allowed to sell them in the market places; [2] nor are any allowed to sell robes or chariots, the gift of the king; [3] or vessels of an ancestral temple; [4] or victims for sacrifice; [5] or instruments of war; [6] or ves-

[1] *Continuation of the General Research,* ch. vii.

sels which are not according to the prescribed measurements; [7] or chariots of war which are not according to the same; [8] or cloth or silk, fine or coarse, not according to the prescribed quality, or broader or narrower than the proper rule; [9] or of illegitimate colors, confusing those that are correct; [10] or cloth, embroidered or figured; or vessels made with pearls or jade; [11] or clothes, or food, or drink, in any way extravagant; [12] or grain which is not in season, or fruit which is unripe; [13] or wood which is not fit for the axe; [14] or birds, beasts, fishes, or reptiles, which are not fit to be killed. At the frontier gates, those in charge of the prohibitions examine travelers, forbidding such as wear strange clothes, and taking note of such as speak a strange language.[1]

There are fourteen prohibitions, and we may classify them into four classes. (a) From the first to the fifth prohibition, the things should not be possessed by the common people—rules for the maintaining of social order. (b) From the sixth to the ninth, the things are not good for consumption, and these four prohibitions maintain the legal standards. (c) From the tenth to the eleventh, the two prohibitions are for the prevention of extravagance and dissipation. (d) From the twelfth to the fourteenth, the rules refer to things which are not ready to be consumed; hence, these three prohibitions promote the mature growth of natural things on the one hand, and prevent the harm which may come from unseasonable consumption on the other. All these fourteen prohibitions are examples of commercial regulations.

According to the *Official System of Chou*, there is a controller of market (*ssŭ shih*) to take charge of commercial regulations. Under his administration, there are many subordinate officers. For the convenience of the reader, we may classify the commercial rules under the following six

[1] *Li Ki*, bk. iii, p. 238.

heads: First, the market-places are divided up in accordance with the offices of officers and the shops of merchants. The shops are also distinguished from each other by the different sorts of goods, that is, a certain group of shops is arranged together for the sale of certain goods. Second, the times of doing business are divided up into three periods —the noon, the morning and the evening. The most popular period is at noon, and all the different people are represented; hence, it is called the great market. In the morning market, the chief participants are the merchants; and in the evening market, the chief participants are the small sellers and buyers. Third, there is the inspector (*hsü shih*) in every twenty shops, and the subordinate places under him are filled up by business men, for the prohibition of false goods and the prevention of deceitful methods. If there is any misrepresentation or deceit, the seller shall be punished by him.

Fourth, prices are controlled by the government. For this object, there are six policies. (a) In every shop, there is the superintendent of the shop (*ssŭ chang*). Within a shop, the goods are arranged in a certain way. Those which have the same name but different value are separated in a great distance. For examples, the different pearls and jades are called by the names of pearl and jade, but their values show great differences. Since the merchants find it easy to impose upon farmers and ignorant people these goods must be arranged so as to be easily distinguished. On the other hand, if their quality is quite similar to each other, they may be arranged within a short distance. To distinguish the quality of goods is the basis of regulating price. (b) All goods have a fixed price, and its difference is simply according to the quantity. In this way, the buyers are encouraged to come in. (c) There is the master of merchants (*ku shih*) in every twenty shops, to fix the

price according to the cost. When there is any natural calamity, the merchants are not allowed to raise their price. For example, during a famine grain should be sold at the natural price; and during a great epidemic, coffins should be sold in the same way.[1] Moreover, seasonal things are also regulated by the natural price. In short, the price should be constant. (d) There is the auditor of price (*chih jên*) to oversee the prices of the most valuable things, through whom the transactions are carried on. (e) By the raising and lowering of price, the government controls the supply. When a thing is not in existence, the government causes it to exist; when a thing is useful, it causes it to be abundant; when a thing is harmful, it causes it to be extinguished; when a thing is luxurious, it causes it to be lessened. The former two policies are carried out by the raising of prices; and the latter two by lowering them. (f) There is the government bank to buy the goods which the people cannot sell, and to lend them out when the people need them. In this way, the government adjusts the demand and supply, and prices are kept at a fixed level.

Fifth, all the transactions of buying and selling are done by bills of sale and purchase. These bills are made of one piece of wood, which is divided into two parts, one for the seller and the other for the buyer. They are issued by the government, in charge of the auditor of price, for the purpose of establishing confidence and preventing litigation. When the transaction involves a large sum, the long bill is issued; and, when it is small, the short bill is issued. If there is any litigation arising from the bills, and also from the written tally,[2] it is heard by the auditor of price. From

[1] In modern times, this policy has been changed to the opposite. During a famine, the price of grain is raised to induce merchants to bring in more grain.

[2] See *supra*, p. 432.

the time when the bill or the tally is issued to the time when the litigation is brought to the court, however, there are different limits according to the distance of the complainant. If he lives in the imperial capital, the period is ten days; in a suburb, twenty days; in the country, thirty days; in the surrounding cities, three months; in the feudal states, one year. Beyond these periods, the litigation shall not be heard.

Sixth, there is the police system. The gate of the market is guarded by policemen who hold whips and halberds. For every two shops, there is a policeman (*hsü*) to keep watch. For every ten shops, there is a captain (*ssŭ pao*) to take charge of fighters, noise-makers, peace-disturbers, offenders, and persons eating and drinking in parties. For every five shops, there is a detective (*ssŭ chi*). His functions are to find out the transgressor, to watch the stranger, to take note of the lounger who stops longer than a proper length of time, and to capture the thief. The punishments of the offender in the market are three—to declare his transgression by written notice, to set forth his body as a bad example, and to whip him as the most severe punishment. If it belongs to the criminal law, it goes to the court of justice.

All these regulations are given by the *Official System of Chou*.[1] Although this book was compiled by Liu Hsin, these regulations were the actual rules under the Chou dynasty. In fact, in the classical time, the government did interfere with the commercial life very minutely.

VII. INTERNATIONAL TRADE

Since the eighth of the nine standard rules is "the indulgent treatment of foreigners,"[2] foreign trade occupies a special category in the governmental system of Confucius. The practice of this rule is "to escort them on their de-

[1] Chs. xiv. and xv.

[2] See *supra*, pp. 316-17.

parture and meet them on their coming; to commend the good among them, and show compassion to the incompetent." Therefore, according to the principle of Confucius, a state should not only open the door to foreigners for foreign trade, but should also give them special favor because they live a long distance away.

The principle of international trade is based upon the geographical differences of economic condition. The "Royal Regulations" says:

> The people of the Middle Kingdom and those of the tribes of the east, the south, the west, and the north, all have comfortable dwellings, delicious flavors, suitable dresses, useful implements, and finished articles. In these five regions, the languages of the people are not mutually intelligible, and their tastes and desires are different. To express their thoughts and to exchange their wants, there are the officers to handle foreign affairs: For the east, they are called transmitters; for the south, representatives; for the west, interpreters; and for the north, translators.[1]

According to this statement, the chief function of the officers in charge of foreign affairs is to promote foreign trade. Their duty is to interpret foreign languages for the expression of thoughts and the exchange of wants which are in the minds of the foreigners. Since the people of the five regions all have comfortable dwellings, delicious flavors, suitable dresses, useful implements, and finished articles, foreign trade is simply to supply the reciprocal demand of each other, and there are mutual gains. Moreover, since their tastes and desires are different, foreign trade can exchange their wants, so as to develop the different tastes, and to make use of anything which is not wanted in one region but demanded in another. Therefore, foreign trade is nec-

[1] *Li Ki*, bk. iii, pp. 229-230.

essary, and the policy of "the closed door" is not in harmony with the principle of Confucius.

According to the *Official System of Chou,* there is the commissioner of immigration (*huai fang shih*). His function is to give welcome to foreigners from all directions. He orders his subordinates to escort them on their departure and to meet them on their coming. He issues passports to them for their traveling. He takes care of their provisions, hotel, food and drink. By these means, he causes them to send their tribute and goods to the government.[1] This was the characteristic of foreign trade in the ancient times. Since the surrounding tribes were all inferior to the Chinese themselves, the opening of trade for them was really a favor to them. Therefore, when they came to China, they always brought their tribute to the government as an acknowledgment of its suzerainty; but at the same time, they imported their goods to exchange for Chinese goods. In return for their tribute, moreover, the government usually granted articles to them according to their wants. Therefore, it was really a foreign trade under the name of tribute; and these two things, tribute and trade, were connected with each other. A similar process continued throughout the whole history until the Opium War (2393, or 1842 A. D.). Since that time, foreign trade marks a great difference between the ancients and the moderns.

What we have discussed above is the trade between China and the subordinate nations. We now come to the trade between the equal nations within the Chinese world. As China was a great empire, and was divided up into different nations during the later part of the Chou dynasty,[2] the trade carried on among them was really an international trade, and not an internal trade. Therefore, international

[1] Ch. xxxiii.

[2] See *supra,* p. 129.

trade became a very important problem. According to *Tso's Commentary*, Duke Wên of Wei (118-84 B. K. or 669-635 B. C.) reorganized his ruined state by the promotion of trade. Hence, the term "international trade" has come to exist; in the original Chinese, it is called "communicating trade." [1]

When there is any international trade, there must be some sort of commercial treaty. If we want to trace back such treaties in the ancient times, we may give a few examples. In 100 B. K. (651 B. C.), there was a conference held in K'uei Ch'iu by the princes of seven states. One item of the fifth article of their agreement read: "Impose no restrictions on the sale of grain." Since grain was the chief article of food, they made it the object of free exportation. When Mencius spoke of this conference, he approved their agreement.[2]

Eighteen years before Confucius (569 B. C.), the advantages of peaceful intercourse between the Chinese and the barbarian tribes were pointed out by Wei Chiang, a minister of Tsin. He enumerated five advantages which came from the peaceful treaty made with the barbarians. The first of them was the profit of exchange; and the second, the continuity of production. He said:

> The barbarians are continually changing their residence, and are fond of exchanging land for goods. Their lands can be purchased—this is the first advantage. Our borders will not be kept in apprehension. The people can labor on their fields, and the farmers complete their toils—this is the second.[3]

Eleven years before Confucius (562 B. C.), the princes of thirteen states made a covenant together in Po. The first

[1] *Classics*, vol. v, pt. i, p. 131.

[2] *Ibid.*, vol. ii, pp. 437-8.

[3] *Ibid.*, vol. v, pt. ii, p. 424.

two items of their treaty were: "All we who covenant together agree not to hoard up the produce of good years, and not to shut one another out from advantages we possess." [1] By this treaty, the first item referred to grain; and the second, to commodities in general which should come either from the natural resources of certain localities, or from the superior skill of certain people. It was a treaty to make exportation free.

The Confucian theory of international trade is an extreme doctrine of free trade. According to *Elder Tai's Record,* Confucius says: "Formerly, wise kings inspected travelers at the custom-houses, but did not levy duty upon commodities." [2] Such a statement is repeated by Mencius, Hsun Tzŭ, and the "Royal Regulations." Mencius mentions this doctrine several times; and, in one instance, he says: "If, at his custom-houses, there be an inspection of persons, but no taxes charged on commodities, then all the travelers of the whole world will be pleased, and wish to make their tours on his roads." [3] One day he says: "Anciently,the establishment of the custom-houses was to guard against violence. Nowadays, it is to exercise violence." [4] In another day he compares it with the thieving of fowls.[5] Indeed, Mencius condemns custom duties as unjust. When Hsun Tzŭ describes the effect of free trade, he says: "Transport the money, commodities and grain without any delay and stopping, in order to satisfy the reciprocal demand: it makes the whole world like a single family." [6] Therefore, according to the Confucians, international trade should be absolutely free. Since their principle is cosmo-

[1] *Classics,* vol. v, pt. ii, p. 453.
[2] Bk. xxxix.
[3] *Classics,* vol. ii, p. 200.
[4] *Ibid.,* p. 481.
[5] *Ibid.,* p. 278.
[6] Bk. ix.

politanism and their object is to equalize the whole world, it is no wonder that they advocate the doctrine of free trade in its extreme form.

Free trade was only a theory of the Confucians. There were custom duties under the Chou dynasty. According to the *Official System of Chou,* there was the director of custom-houses, who charged duties and storage. If any commodity was smuggled, it should be confiscated, and the smuggler should be punished. It was only during a famine or a great mortality, that the custom duties were suspended, but the persons were still under inspection.[1] From this example, we can see the difference between the *Official System of Chou* and the principles of the Confucians. The former is a record of facts, while the latter are theories. Sometimes they go along together, and sometimes they do not.

VIII. POSITION OF MERCHANTS

During the Chou dynasty, the position of merchants was very prominent. They were mostly individuals for the carrying on of their trade, but there was also associated and incorporated enterprise. The best example of the partnership was given by Kuan Tzŭ and Pao Shu (before the date of 143 B. K. or 694 B. C.).[2] In later times they both became famous ministers of Ch'i. Corporations are mentioned in the *Official System of Chou.* It says: "All the people who own commodities and money in common are regulated by the law of the state; and, if they violate the regulations, they shall be punished."[3] Chêng Chung says that these people are those who form joint stock companies.

[1] Ch. xv.

[2] *Historical Record,* ch. lxii.

[3] Ch. xxxv.

Therefore, commercial corporations existed in the Chou dynasty.

There is another proof that the commercial corporation or trade guild existed in the Chou dynasty. In 26 A. K. (526 B. C.), Tzŭ-ch'an, the prime minister of Chêng and a good friend of Confucius, said:

> Our former ruler, Duke Huan, came with the former merchants from Chou [222 B. K. or 773 B. C.]. Thus they were associated in cultivating the land, together clearing and opening up this territory, and cutting down its tangled southerwood and orach. Then they dwelt in it together. In every generation, our ruler has made a covenant with the merchants for the mutual faith. It reads: "You will not revolt from me, and I will not violently interfere with your traffic. I will not beg or take anything from you. You may have your profitable markets, precious things, and substance, without my taking any knowledge of them." Through this attested covenant, our rulers and the merchants have preserved their mutual relations down to the present day.

By this statement he protected a merchant from being compelled to sell a ring of jade to the prime minister of Tsin, a very powerful state.[1]

From these facts, we can see that the power of the merchants was very great. They helped the most powerful duke, uncle of the emperor, to establish a new state, and made a covenant with the princes in every generation. This shows the democratic movement, commercial freedom, and contractual society. From the time when Duke Huan moved his state to the time when Tzŭ-ch'an gave this statement, there was a period of 248 years, and the state did not violate the covenant. Such a thing never could be done by the individual merchants, and they must have in-

[1] *Classics*, vol. v, pt. ii, p. 664.

corporated themselves into a legal body. Hence, their corporation had a perpetual life for the making and preserving of the covenant with the state, from generation to generation. In order to guard this covenant, the statesman of the weak state even dared to refuse the demand for a ring raised by the envoy of the chief power. It proves that the internal contract between the state and the corporation was stronger even than the international relation. In fact, Chêng was a commercial state, and the corporation had a strong hold there.

Understanding that commercial corporations existed in the time of Confucius, we now come to consider the position of the individual merchants. For this purpose, we may mention a few of the most prominent merchants as examples.

In 76 B. K. (627 B. C.), when the army of Ch'in was going to invade Chêng, Hsien Kao, a merchant of Chêng, on his business journey, met it. Pretending that he was sent by his prince, he went with four dressed hides, preceding twelve oxen, to distribute them among the soldiers, and to delay the generals with compliments. At the same time, he sent intelligence of what was taking place with all possible speed to Chêng. Therefore, Chêng was saved.[1] This was a case where a merchant saved the country.

The chief figure in the "Biography of Merchants" in the *Historical Record*[2] is Tzŭ-kung. He was a pupil of Confucius, but he was also a merchant. He used his capital for speculative purposes, and sold his money. He made a great profit. Among all the pupils of Confucius, he was the richest one. Whenever he visited any prince, he was received and treated as if he were of the same rank with the prince.

[1] *Classics*, vol. v, pt. i, p. 224.

[2] *Historical Record*, ch. cxxix.

Therefore, the reputation even of Confucius was partly due to the effort of Tzŭ-kung.

A little later than Tzŭ-kung was Fan Li. He was the prime minister of Yüeh, and he became a merchant after his political success (79 A. K. or 473 B. C.). He took his economic theory from his teacher, and it is worth mentioning. Chi Jan, his teacher, says:

For skilful competition, one should make a preparation of supply; and for seasonal consumption, one should know the things demanded. When these two points appear, the situation of all commodities can be seen. . . . When there is a drought, one should store up the boats; and when there is a flood, one should store up the cars. . . .[1]

To keep the price of grain on a level, to put all commodities in the normal condition, and to make the custom-houses and the markets go on naturally without any interruption, all these are the principles of a good government.

The laws of accumulating capital are: One must keep all the capital goods intact. One must not allow money to be idle. An exchange is between commodity and commodity. The instruments which have worn out and cannot produce any thing should not remain.

Do not dare to keep goods when their price is high. By studying the amount of goods either over-supplied or under-supplied, that their price will either rise or fall can be known beforehand. When the high price rises to the extreme, it will turn down; and when the low price falls to the extreme, it will go up. At its highest price, the commodity should be got rid of as manure and clay; and at its lowest price, it should be taken as pearl and jade. All kinds of wealth and specially money should flow like the current water.

[1] This is the principle of accumulating a thing when it has no use, and waiting for the time when there is a demand for it. Since there can be neither a constant drought nor a constant flood, this policy usually leads to a great profit.

These are the economic principles of Chi Jan. After Fan Li had successfully applied these principles to the state, he wanted to apply them to his family; hence, he became a rich merchant. His methods were to select the right men, and to seize the right times. In fact, it was speculative. In a period of nineteen years, he accumulated wealth three times, and he distributed it to the poor twice. The amount of his wealth was over one hundred millions; hence, he distinguished himself by his wealth.

About the time of Mencius, there was Pai Kuei.[1] He was called the father of economics, but he looked upon economics as an art rather than as a science. He was mostly pleased to speculate upon the changes of times. His policy was: "Take what others throw away, and give away what others take." He was able to lessen food and drink, to restrain the passions and desires, to simplify dress, and to share both hardship and pleasure with his working servants But when he was going to seize the right times, it was like the start of the cruel beast and the terrible bird. Therefore, he compared his economic principles with the politics of the greatest statesmen, the strategy of the founders of the military school, and the laws of the founder of the law school. He said:

If either his wisdom cannot see the changes of a thing, or his bravery cannot make out a decision, or his kindness is not enough for the giving of some thing, or his firmness is not strong enough to hold the principle, I shall never tell him about my methods, even though he may want to learn them from me.

Therefore, we are told by Ssŭ-ma Chien that the economists of the Chinese world recognized Pai Kuei as the father of

[1] He was accordingly a Confucian.

economics. He says: "Indeed, Pai Kuei had proved his good practice. He possessed special genius, and his practical success was not by chance." [1]

[1] Tzŭ-kung had become minister in the states of Lu and Wei after his commercial enterprise. Fan Li had become the minister of Yüeh before his commercial enterprise, and became also the minister of Ch'i afterward. Pai Kuei was a commander of Marquis Wên of Wei, and conquered the state named Chungshan in 144 A. K. (408 B C.); but he was also a merchant. They were the representatives of the prominent merchants of that time. In fact, these three men were really the founders of the commercial school.

During the Ch'in dynasty, the position of merchants was also very prominent. Lü Pu-wei, a great merchant, gained the state of Ch'in, and became the true father of the First Emperor (292 A. K. or 260 B. C.). *Historical Record*, ch. lxxxv. The First Emperor (306-342 A. K. or 246-210 B. C.) made a shepherd named Lo equal to the feudal prince; and he treated a widow named Ts'ing as a guest, and built a tower for her. They were both distinguished by their wealth. *Ibid.*, ch. cxxix. These illustrations prove that the position of the merchants was very honorable and powerful.

BOOK VII. DISTRIBUTION

CHAPTER XXIV

General Principles of Distribution: Rent, Interest and Profits

I. GENERAL PRINCIPLES OF DISTRIBUTION

In the economic theories of the Confucians, more importance is attached to the problems of distribution than to those of production, because the Confucians are more socialistic than individualistic. There are many principles in regard to the distribution of wealth, but we may classify them under three heads, namely, equality, productivity, and need.

1. *Distribution According to the Principle of Equality*

First, wealth should be distributed equally. By an equal distribution, it is not meant that everyone should have the same amount of income, but that everyone should have the same opportunity from which he will be enabled to get the same amount of income. Therefore, there is the minority of men who receive justly an unequal amount of wealth on account of their ability and service. But, as soon as the majority of men can have equal opportunity of production, and can live at the social standard without the suffering of poverty, it is an equal distribution. In fact, there never can be an absolute equality, but only a proximate equality.

Hsun Tzŭ says:

Now, to be as dignified as an emperor, and as rich as possessing the whole empire, are objects for which all men, ac-

cording to human nature, have a common desire. But if we indulge the desires of men, there is no room for so many desires, and there is no sufficiency of things to satisfy them. The ancient kings accordingly established rites and justice for men in order to distribute wealth. They distinguished the classes between the honorable and the mean, the difference between the old and the young, and the separation between the wise and the ignorant, and between the able and the incapable. They made all men take up their work and get their justice respectively. Then, the different amounts of income either great or small, were all made suitable to everyone. This is the principle of harmony and unity of a society. Therefore, when the benevolent man is on the throne, the farmers will give all their strength to the farms; the merchants, their sagacity to wealth; the artisans, their skill to the articles; and all the officials, from the students up to the dukes, their virtue and abilities to their official duties. This is what is called perfect equality. Therefore, some receive income from the whole empire, [as an emperor], but they do not think that it is too much; and some receive it as a doorkeeper, or a waiter on a traveller, or a guard along the gate, or a watchman, but they do not think that it is too little. It is said: "Although it looks unequal, it is equal; although it looks partial, it is just; although it looks different, it is uniform." This is what are called social relations.[1]

According to the social principles of Confucius, there are two divisions of men. The one is in the honorable position, such as the emperor, the princes, the great officials, and the students, while the other is in the mean position, the common people. The class of honorable men should be rich, and the class of common people poor. Hence, the word rich comes together with the word honorable, and the word poor with the word mean. But there is nothing to confine

[1] Bk. iv.

anyone to either class, and he will either rise or fall according to his own ability. Among the five classes of men—the emperor, the princes, the great officials, the students and the common people—there is no equality of wealth. But among the common people themselves, the greatest number of men, wealth must be equally distributed. On the one hand, no one of them is enabled to get any special advantage over his fellow-members for the increasing of his income; and on the other, the upper classes are not allowed to take up any gainful occupation for competition with the common people. This is what Confucius means by an equal distribution.

We must understand that, according to the principles of Confucius, the two classes, rich and poor, should not be widely separated. They are simply comparatively rich and poor, but they should not have too much difference. During the Chou dynasty, there was a class struggle, and it is shown in the *Canon of Poetry*. It says:

> They have their good spirits,
> And their fine viands along with them.
> They assemble their neighbors,
> And their relatives are full of their praise.
> When I think of my loneliness,
> My sorrowing heart is full of distress.

The first four lines describe the wealth and jollity of the unworthy favorites of the court; the last two, the writer's distress in thinking of the existing disorder, and the coming ruin. It continues:

> Mean-like, those have their houses;
> Abject, they have their salary.
> But the people now have no maintenance.
> For Heaven is pounding them with its calamities.
> Those rich enjoy themselves;
> But alas for the helpless and solitary![1]

[1] *Classics*, vol. iv, pt. ii, pp. 319-320.

This poem was written during the reign of Yu Wang (230-220 B. K. or 781-771 B. C.), who ruined the Western Chou dynasty; and it shows that there was a great gap between the rich and the poor. Such an unequal distribution is the sign of ruin, and Confucius takes it as a warning for future generations. Therefore, the *Canon of History* says: "The former rulers, Wên and Wu, greatly equalized the wealth of the people." [1]

The reason why Confucius advocates equal distribution of wealth is from the psychological point of view. According to human nature, those who have too much of wealth are just as badly off as those who have too little of it. Confucius says:

The small man, when poor, feels the pinch of his straitened circumstances; and when rich, is liable to become proud. Under the pinch of that poverty, he may proceed to steal; and when proud, he may proceed to deeds of disorder. The social rules recognize these feelings of men, and lay down definite regulations for them, to serve as preventions for the people. Hence, when the sages distributed riches and honors, they made the rich not have power enough to be proud; and kept the poor from being pinched; and the honorable men not be intractable to those above them. In this way the causes of disorder would more and more disappear.[2]

Therefore, an equal distribution is to keep both the rich and the poor in good nature, and to preserve social peace. In short, Confucius means that the government is the distributor of wealth, and the controller of production and consumption.

In the book "Equalization" of the *Many Dewdrops of the Spring and Autumn*, Tung Chung-shu says:

[1] *Classics*, vol. iii, pt. ii, p. 566.

[2] *Li Ki*, bk. xxvii, pp. 284-5.

It is said by Confucius, "We are not troubled with fears of poverty, but are troubled with fears of a lack of equality of wealth." Therefore, when there is here a concentration of wealth, there must be an emptiness there. Great riches make the people proud; and great poverty makes them wretched. When they are wretched, they would become robbers; when they are proud, they would become oppressors; it is human nature. From the nature of the average man, the sages discovered the origin of disorder. Therefore, when they established social laws and divided up the social orders, they made the rich able to show their distinction without being proud, and the poor able to make their living without misery; this was the standard for the equalization of society. In this way, wealth was sufficient, and the high and low classes were peaceful. Hence, society was easily governed well. In the present day, the regulations are abandoned, so that everyone pursues what he wants. As human wants have no limit, the whole society becomes indulgent without end. The great men of the high class, notwithstanding they have great fortune, feel bad for the insufficiency of their wealth; while the small people of the low class are depressed. Therefore, the rich increase their avarice for money, and do not wish to do good; while the poor violate the laws every day, and no way can stop them. Hence, society is difficult to govern well.[1]

This is an explanation of the principle of Confucius.

Equality is a great principle of Confucius, and it has also its world aspect. Therefore, he advocates it from the international point of view. In the "Great Learning," the last and longest chapter is entitled, "The Equalization of the Whole World," in which the most important subject is administering wealth.[2] In the "Doctrine of the Mean," Confucius says: "The world, the states, and the families, may

[1] Bk. xxvii.

[2] See *supra*, p. 140.

be equalized." [1] Therefore, Confucius plans an equal distribution applied to the world as a whole.

During the time of Confucius, the princes of states and the chiefs of noble families made war against each other in order to extend their territory and to increase their people, because they thought that having more land and more population would make them richer. But the people not only had no interest in these wars, but also sacrificed their lives and property in them. Therefore, when the head of the Chi family was going to attack Chuan-yu, a dependent state of Lu, Confucius gave the great principle of equality. He said:

I have heard that rulers of states and chiefs of families are not troubled lest their people should be few, but are troubled lest they should not have equality of wealth; that they are not troubled with fears of poverty, but are troubled with fears of a lack of peace among the people themselves. For, when the people have equality of wealth, there will be no poverty; when harmony prevails, there will be no scarcity of people; and when there is social peace among the people, there will be no fall of state or family.[2]

These three characteristics, equality, harmony and peace, are the aims of the economic theories of Confucius. But harmony and peace are the results of equality. Therefore, equality of wealth is the fundamental thing.

2. *Distribution According to Productivity*

Second, distribution should be according to productivity. Confucius says:

The ceremony takes place before the silks offered in connection with it are presented:—this is intended to teach the people to make the doing of their duties the first thing, and

[1] *Classics*, vol. i, p. 389. [2] *Ibid.*, p. 308.

their salaries an after consideration. . . . It is said in the *Canon of Changes*, "He reaps without having ploughed that he may reap; he gathers the produce of the third year's field without having cultivated it the first year; it is an evil." [1]

Therefore, Confucius makes a rule for the Confucians: "They must first do the work, and then take the pay." [2] Hence, according to the principles of Confucius, distribution must be in accordance with the product. Even though it is difficult to find out the exact amount of productivity, this principle is a just one. The further discussion of it we shall defer till we take up the problem of wages.

3. *Distribution According to Need*

Third, distribution should be according to need. This is a very important principle in the *Spring and Autumn*. In the first year of Duke Yin of Lu, it records: "The emperor sent the sub-administrator Hsüan to return a present of two carriages and eight horses for the funerals of Duke Hui and his wife Chung-tzŭ." Now, as this present was not the old property of Lu, and just given by the emperor, why should Confucius use the word "return"? It is because he wants to indicate that the receiver, Duke Yin, should have a common ownership in those things with the Emperor. Ho Hsiu explains this principle as follows: "Wealth is produced by the power of Heaven and Earth, and it is not a possession of any single family. Therefore, those who have much wealth and those who have nothing should share it for their common interest." This is like the communistic idea. But we must understand it more clearly. Confucius recognizes the private ownership of wealth, but he denies that the owner has an absolute right to it. Therefore, he

[1] *Li Ki*, bk. xxvii, pp. 295-6.

[2] *Ibid.*, bk. xxxviii, p. 404.

makes society the supreme owner of everything, and the temporary possessor only a trustee. Since nature is a co-operator in production, no one can claim the absolute ownership of anything upon the occupation theory or the labor theory. Hence, distribution of wealth should be according to the needs of the members of society. In short, those who have much wealth should have the duty of giving, and those who have nothing should have the right of receiving. This is the principle of the *Spring and Autumn,* and it is illustrated by this case which does not mean that Duke Yin had no wealth.

In the *Analects,* Confucius says: "I have heard that a superior man helps the distressed, but does not add to the wealth of the rich." [1] This is his general principle of distribution.

The reason why distribution of wealth should be according to need is explained very clearly by Mencius. When he speaks to King Hsüan of Ch'i, he says:

It is only good scholars, who, without a permanent property, are able to maintain a permanent heart. As to the common people, if they have not a permanent property, it follows that they will not have a permanent heart. And if they have not a permanent heart, there is nothing which they will not do, in the way of self-abandonment, of moral deflection, of depravity, and of wild license. When they thus have been involved in crime, to follow them up and punish them is to entrap the people. How can such a thing as entrapping the people be done under the government of a benevolent man?

Therefore, a wise ruler will regulate the property of the people, so as to make sure that, for those above them, they shall have sufficient wherewith to serve their parents, and, for those below them, sufficient wherewith to support their wives and children; that in good years they shall always be abund-

[1] *Classics,* vol. i, p. 186.

antly satisfied, and that in bad years they shall escape the danger of perishing. After this he may urge them, and they will proceed to what is good, for in this case the people will follow after it with ease.

Now, the property of the people is so regulated, that, above, they have not sufficient wherewith to serve their parents, and, below, they have not sufficient wherewith to support their wives and children. Notwithstanding good years, their lives are continually embittered, and, in bad years, they do not escape perishing. In such circumstances, they only try to save themselves from death, and are even afraid they will not succeed. What leisure have they to cultivate propriety and righteousness?[1]

What Mencius means by "permanent property" is explained in the *tsing tien* system. After he has given this advice to the king, he immediately describes such a system in short outline. Indeed, what is necessary to make a man a good citizen is the basis of distributive justice. If his physical needs are not satisfied, with very few exceptions, no one can fully develop his intellectual and moral powers.[2]

II. RENT

1. *Absence of Land-ownership*

The *Spring and Autumn* does not allow the princes to confer feudal estates on anyone at their pleasure, nor the

[1] *Classics,* vol. ii, pp. 147-8.

[2] Prof. James Legge remarks: "His principle that good government should contemplate and will be seen in, the material well-being of the people, is worthy of all honor. . . . When Mencius teaches that with the mass of men education will have little success where life is embittered by miserable poverty, he shows himself well acquainted with human nature. Educationists now seem generally to recognize it, but I think it is only within a century that it has assumed in Europe the definiteness and importance with which it appeared to Mencius here in China two thousand years ago." *Chinese Classics,* vol. ii, pp. 49-50. Prof. Legge published his translation in 1894 A. D.

great officials to win the land exclusively. This principle means that none can be the true landlord except the emperor. The *Canon of Poetry* says: "Under the wide heaven, all is the king's land." [1] In ancient times, the king or emperor represented the sovereign power of the whole empire; hence, when anything belonged to the state, it belonged to the king or emperor. Therefore, according to the principles of Confucius, none should own the land except the state. Even the princes and the great officials have no right to take the land under their sway; how can the common people have any claim to its private ownership? We are sure that Confucius does not allow land to be subject to private ownership; hence, the form of rent does not exist in his system.

It should be noted that Confucius would justify the taking of rent, if the land had been the private property of its owner for a long time. Land is only one kind of capital goods; and, since Confucius does not condemn the taking of interest by the capitalist, he must not condemn the taking of rent by the landowner. Judging from his idea, if the land had not been private property, he would not let it go to private hands; but, if it had been so, he would not deny the owner the right of taking its rent.

2. *The Land Tax the Equivalent of Rent*

Confucius and his disciples give no theory about the rent of land, because in their day the land was under public ownership. The essentials of their principles, however, can be applied to the problem of rent. Since the government was the land owner, and the people paid the land tax to it, the land tax really took the place of rent. Although the term land tax is different from the term rent in modern times, they were not different in ancient times. Therefore,

[1] *Classics*, vol. iv, pt. ii, p. 360.

even in the Han and the Tang dynasties, the word rent was used in the sense of tax; and even in the present day, there is the so-called government rent which goes to the government for the use of public land. Hence, the principles of the land tax given by the Confucians are also the principles of rent.

3. *Amount of Rent*

According to the theory of the Confucians, the amount of rent should be one-tenth of the total produce of the land. This is the moderate rate of land tax; hence, it is also that of rent. There is also no-tax land, equivalent to no-rent land.

According to the historical facts, the earliest custom of paying rent was the *métayer* system. The cultivator retained one-half of the harvest, and paid the other half to the landowner as rent. This was strongly condemned by the Confucians. But such a practice has existed from the Ch'in dynasty [1] to the present day.

During the Wei and the Tsin dynasties, when people took land and oxen from the government for cultivation, the government got six-tenths of the harvest as rent, and the people got four-tenths. If the cultivators supplied private oxen and cultivated government land, they conformed to the *métayer* system.

In 1077 A. K. (526 A. D.), the Northern Wei dynasty regulated the land tax as five pints of rice for each acre. If the cultivator was a tenant of government land, each acre paid one peck of rice. Therefore, the amount of rent was equal to that of tax, five pints.[2]

The Kin dynasty obtained a great amount of rent from

[1] *History of Han,* ch. xxiv.

[2] *General Research,* ch. ii.

the government land. In the year 1752 A. K. (1201 A. D.), the average of rent was five pecks of rice for each acre, including the land tax. At that time the tax on private land was only five and three-tenths pints of rice and fifteen catties of straw for each acre.[1]

In 2304 A. K. (1753 A. D.), the average rent of the government land for the support of public schools was about .0165 tael of silver for each acre, without paying land tax.[2]

In fact, the government rent is a form of land tax, and it is much lower than the private rent. The people can never pay as high rent to the government as to private landowners, because of the added cost of paying government rent, due to the cost of transportation and the corruption of the official administration. Therefore, the Sung and the Ming dynasties did great harm to the people, because they made the government rent equal to the private rent.

It is difficult to find the rate of rent paid to the private landowner outside the *métayer* system, but there are some statements. In 1345 A. K. (794 A. D.), Lu Chih, a great statesman, said:

> Now, the government taxes each acre of land at the rate of five pints of rice. But the private families receive the rent at one bushel, which is twenty times the land tax. Even of the middle grade of land, its rent is still half this amount. The land is the possession of the emperor, and the agricultural works are the labor of the farmers; but the monopolistic capitalists get the benefits.

The break-up of the system of land distribution occurred not long before his time;[3] hence, Lu Chih did not recognize the

[1] *Continuation of the General Research,* ch. i.

[2] *General Research of the Present Dynasty,* ch. i.

[3] See *infra,* p. 520.

right of private receipt of rent. His conclusion was that land ownership should be limited, and rent should be legally reduced.[1] But he lost his position at the end of the year above mentioned, so his theory was not carried out. Passing through the Sung,[2] the Yüan and the Ming[3] dynasties, the general amount of rent was practically the same, one bushel of rice for each acre of good land. At the present day, the rent is paid partly in money.

III. INTEREST

In the Chinese language, there are two words, interest and profit. But the word profit can be used either for the word interest only, or for both interest and profit. Hence, there is great confusion.[4] The word interest, however, never can be used for the word profit, nor can it include the meaning of profit. Therefore, we shall discuss the problem of interest first.

1. *Justification of Interest*

The word interest in Chinese is called *hsi,* which means child. In the *Historical Record*, it is termed "the child money."[5] In the *Canon of History*, it is called *shêng*, which means produce. The oldest statement is in the *Canon of History.* It was said by P'an Kêng (850-823 B. K. or 1401-1374 B. C.): "I will not employ those who are fond of wealth and make their living upon the multiplication of interest."[6] Therefore, the capitalists making their living upon interest were very prominent during the Yin dynasty. The reason why P'an Kêng did not want to employ these

[1] *General Political History,* ch. ccxxxiv.
[2] *History of Sung,* ch. clxxiii.
[3] *History of Ming,* ch. lxxviii.
[4] *Cf. infra,* p. 475.
[5] Ch. cxxix.
[6] *Cf. Classics,* vol. iii, pt. i, p. 247.

men is that living upon interest is not a proper thing for the officials, because officials should not make any material gain like private persons.[1] But he did not prohibit the taking of interest. Therefore, anyone had the right of taking interest, and the only discouragement was that he would not be employed as an official. This is the principle of Confucius.

According to the principles of Confucius, taking interest is not wrong. Capital is the mother, and interest is her child. As an immediate cause, capital can produce interest because it is employed under the guidance of the entrepreneur. But as the remote cause, the entrepreneur can employ the capital for the producing of interest because he himself either is a capitalist, or can borrow it from the capitalist, for he cannot make interest out of nothing. Therefore, interest is imputed to capital just as a child is imputed to its mother. In Chinese literature, which calls it "child," there never has been a single question about its justification. It is justified very plainly by the language itself, and it causes no argument. The different usage in the European languages may account for part of the controversy about the taking of interest. Confucius gives no condemnation of it.

When Mencius quotes the words of Lung Tzŭ, who says that the farmers borrow money at the rate of one hundred per cent for the clearing-up of tax-payment, he does not blame the lender for the high rate of interest, but simply blames the system of taxation.[2] He knows that the rate of interest is determined by demand and supply, so that he does not say anything against it. Even of such a high rate of interest he gives no condemnation, and certainly he does

[1] See *infra*, pp. 543-8.

[2] See *infra*, pp. 623-4.

not condemn those who take interest at the natural rate. In fact, the Confucians justify the taking of interest.

2. *Rate of Interest*

Although interest is justifiable, what should be its natural rate? On this point, Confucius does not touch. Judging from the principles of the Confucians, and the common phrase, "the profit of one-tenth," we may venture to say that the ideal rate of interest from the Confucian point of view would be ten per cent.

In the *Annotation of the Official System of Chou,* Chêng Hsüan gives his theory as to the rate of interest as follows: When the government bank lends capital to the people, the annual rates of interest are different according to the residence of borrowers. If they live in the capital city, the rate is 5 per cent; if in the suburb, 10 per cent; if in the country, 15 per cent; if in the provinces, 20 per cent.[1] Therefore, the rate of interest is higher if the borrower lives further from the imperial city. We are not sure whether this rule was made by the Duke of Chou or not; but the theory of Chêng Hsüan is very interesting. Since he was one of the greatest Confucians, and his commentary had a great influence upon historical facts, we are safe in saying that it is the theory of the rate of interest of the Confucians. In explanation of this theory, we may make a suggestion: As the imperial city is the commercial center, the rate is the lowest one; while the further a locality is from the center, the higher will be the rate. This is the principle that demand and supply determine the rate of interest. But, as the highest rate is fixed at 20 per cent, it shows that the government bank is for the good of the people.

The rates just mentioned may have been theoretical or ideal rates. We now come to the historical facts concern-

[1] Ch. xv.

ing the rate of interest. According to the *Historical Record,* during the beginning of the Han dynasty, the annual rate of interest among all the farmers, the artisans and the merchants, was 20 per cent. This was the normal rate. In 398 (154 B. C.), when the princes borrowed money for a military expedition, the abnormal rate was as high as ten times the principal, because the risk was very great.[1] According to the *Law Code of the Ts'ing dynasty,*[2] the rate of interest is fixed at the limit of 30 per cent. But the commercial rate of the present day is much lower than that limit. Generally, it is 8 per cent, although varying to a great extent.

IV. PROFITS

The word profit has been loosely used for a long time. In ancient times, it included interest, insurance against risk, and wages of management. Indeed, besides the expense which was used for production, all gains were summed up by the word profit. In the case of the farmer, it included even rent, since he did not pay rent to anyone, except the land tax to the government; and even wages, since he himself was a laborer. Therefore, we must understand the scope of the word profit. Since the term profit applied to the net gain of an entrepreneur began only with F. A. Walker, we do not wonder that such a term was loosely used in ancient China.

1. *Profit Seldom Mentioned*

We are told by the *Analects* that Confucius rarely spoke of profit.[3] This statement is true. The reason for it is pointed out by Ssŭ-ma Chien. He says: "Oh, profit is really the origin of disorder. That Confucius seldom spoke of it was because he always prevented the germ of dis-

[1] Ch. cxxix.

[2] Ch. xiv.

[3] *Classics,* vol. i, p. 216.

order." [1] Therefore, Confucius said: "He who acts with a constant view to his own profit will be much murmured against." [2] Indeed, Confucius was afraid that man would care too much for selfish gain. During the time of Mencius, the subject of profit became still more prominent. Therefore, Mencius not only seldom used, but also vehemently attacked, the word profit.[3] These facts indicate that the economic principles of the Confucians are from the social and moral points of view rather than from the purely economic point of view.

2. *Justification of Profit*

Although Confucius seldom spoke of profit, he did not give any statement against the common people who make profit. The *Canon of Poetry* says: "As a merchant gains a profit of three hundred per cent, a superior man has known it." [4] This means that the making of profit is a proper business of the merchant, but not of the superior man, the official. It is a condemnation of the official who makes profit like a merchant, but not a condemnation of the merchant. To gain a good profit is a proper thing for all the common people, either farmers, or artisans, or merchants; and it is justified by Confucius.

Even his own pupils Confucius did not condemn for the making of profit. As we have known, Tzŭ-kung was a very great merchant of that time, and the first one of the founders of the commercial school. One day, Confucius said: "There is Hui! He has nearly attained to perfect virtue. He is often in want. Tz'ŭ does not acquiesce in the appointment of Heaven, but accumulates commodities for the multi-

[1] *Historical Record*, ch. lxxiv.

[2] *Classics*, vol. i, p. 169.

[3] *Ibid.*, vol. ii, pp. 125-7, 428-30.

[4] *Ibid.*, vol. iv, pt. ii, p. 562.

plication of wealth. Yet his speculations are often successful." [1] Hui was the personal name of Yen Yüan, and Tz'ŭ was that of Tzŭ-kung. Most of the commentators say that Confucius praised Yen Yüan and satirized Tzŭ-kung. But this was not the case. Confucius praised Yen Yüan indeed, but he praised Tzŭ-kung also. Yen Yüan distinguished himself by his virtue, and Tzŭ-kung by his ability; hence, they are both appreciated in this statement of Confucius Of course, when Tzŭ-kung was compared with Yen Yüan, Yen Yüan was better than he; but when he was compared with all the pupils of Confucius, he stood as the second figure and next only to Yen Yüan.[2] Therefore, Confucius praised Yen Yüan first, and said that he had nearly attained to perfect virtue. But he praised Tzŭ-kung next, and said that he did not acquiesce in the appointment of Heaven and that his speculations were often successful. Let us think how difficult it is not to accept the appointment of Heaven and to succeed frequently in speculation. This showed the ability of Tzŭ-kung, and Confucius appreciated it highly. From the moral point of view, Yen Yüan was the best, because he had the best intellectual power but did not care for his economic life. From the intellectual point of view, Tzŭ-kung was a very able man, yet his moral character had no wrong. This is the true meaning of this statement of Confucius. Now, even though we grant that he did not praise Tzŭ-kung at all, he had nothing against him. For, the making of comparison between Yen Yüan and Tzŭ-kung does not mean that one is right and the other wrong. Therefore, we may say that Confucius did approve the making of profit by Tzŭ-kung. Even if he did not do so, he certainly did not condemn it.

In the *Debate on the Government Monopoly of Salt and*

[1] *Classics,* vol. i, p. 243. [2] *Ibid.,* p. 176.

Iron,[1] Tzŭ-kung is defended. It says that he, in employing his capital, was not necessarily getting profit out of the people. He simply worked with his brains, exchanged commodities according to the conditions of the market, and took profit in the differences of prices. From this point of view, profit is the result of a skilful exchange, and it is not necessarily taken from the people.

3. *Amount of Profits*

Since the amount of profits is uncertain, we cannot make out the rate of profits. According to the statements of the ancient books, however, we may get a general idea about it. As we have just seen, the *Canon of Poetry* mentions a profit of three hundred per cent. The "Explanation of the Trigrams" also speaks about the profit of three hundred per cent in the market.[2] Therefore, we may say that three hundred per cent was considered as a good profit in the ancient times; but it was not an extraordinarily high profit.

In the *Plans of the Warring States*, there is a statement telling about the rates of profits as follows: Lü Pu-wei asks his father, "How many times more is the profit of cultivating land than the amount of capital?" "Ten times," answers his father. "How many times more is the profit of a jeweller than the amount of capital?" he asks again. "One hundred times" is the answer.[3] Judging from this statement, the rates of profits during the period of Warring States were very high. Such high rates of profits, however, began in the period of Spring and Autumn. Kuan Tzŭ says that the merchants may gain a profit of one hundred times the amount of capital, and that, for the pre-

[1] It was written by Huan K'uan during the reign of Han Hsüan Ti (479-503, or 73-49 B. C.). Bk. xvii.

[2] *Yi King*, p. 431.

[3] Bk. vii.

vention of it, a ruler must have a profit of ten times.[1] By this statement, he means that the ruler, the representative of the state, should get the profit for the social adjustment of wealth, and that private merchants gaining extraordinary profit should be prevented because they hurt the poor and destroy the equality of wealth. In conclusion, the rates of profits during the Chou dynasty were very high, but the word profit included many elements.

[1] Bk. lxxiii.

CHAPTER XXV

Wages

I. ORIGIN OF WAGES

When everyone works for himself, there are no wages to be paid out, although the element of wages will remain. Wages come when men work for others. The slave works for others, yet he receives no wages. Wages come when there are free laborers. In the historical period, China had no slavery as a general institution in the economic field. Every man was free, and every man received one hundred acres of public land from the government. Under such a system, no one would work for any private person, nor in public employment, unless he could get a return equal to what he could get on his farm. This is the origin of wages. It is expressed by Mencius and the "Royal Regulations" as "the substitute for tillage."

As the word salary is simply the higher form of wages, there is no essential difference between salary and wages. Now, in the Chinese language, salary is called *lu* and grain is called *ku*. The commentator of the "Royal Regulations" says that *lu* is *ku*. In other words, salary is grain. Just as, in modern times, wages paid by money are expressed in money, so, in ancient China, salary paid by grain was expressed in grain. But what we want to point out here is that the Chinese wages system came from the independent farmer. Instead of working his own farm,

he worked for others, and received his wages in grain as a substitute for tillage.

In the western world, the wages system came from slavery.[1] But in China, this was not the case. In the Confucian writings, all public officers are regarded as laborers, and all their salaries as a substitute for tillage. Had China had a slave class, the public officers would not get any pay, because they would have slaves to do the tillage for them, and they should serve through their leisure the public for nothing. This had been done in ancient Greece. Moreover, even if the public officers should receive pay, why should Mencius call it a substitute for tillage? If they had had slaves, and had not tilled the land at all, why should their salary be called by a name which would not have been appropriate? We know perfectly now, that, because China had no slavery, and because the ancient Chinese all worked on farms, such an expression as the substitute for tillage came to be used. For this reason, even at the present day, in the English language, the public officers are called public servants; but in Chinese, they are called public laborers (*pai kung* or *ch'ên kung*). The word servant comes from the dependent slave, but the word laborer from the independent workman.

II. EMPLOYER AND EMPLOYEE

The wages system in China is very old, and we do not know its beginning. According to *Mo Tzŭ,* we know that Fu Yüeh arose from a wage-earner in the building business to be the prime minister of the Yin dynasty.[2] Therefore, the wages system must have existed long before that time (770 B. K. or 1321 B. C.).

In the beginning of the Chou dynasty, the hire system

[1] *Labor Problems,* by T. S. Adams and H. L. Sumner, p. 7.

[2] Bk. ix.

existed in agricultural life. The *Canon of Poetry* says: "There are the master and his elder son; his younger sons, and all their children; their strong helpers, and their hired laborers." [1] All of them work on the farms. The strong helpers are those who, after doing their own work, are able to go and give a hand where they are needed. The hired laborers are those who serve their master at his disposal. Here we find that there is a separation of these two classes —the master and the hired laborer.

According to the *Official System of Chou,* the separation of these two classes is very clear. It says: "The master gains the people with profit." This means that the employer, with the power of wealth which comes from his profits, can gain a great number of people who are the wage-earners. It is nothing against the employer, but rather indicates the fact that he is the leader of the people for the combination of economic forces. It divides the wage-earners into two classes—servants and laborers. The servants mostly work at home; their labor is somewhat easy; and their relation to the master is close and somewhat permanent. The laborers work anywhere; their labor is heavy; and their relation to the master is loose and not permanent.[2] It is a matter of fact that the class of wage-earners exists even under the most favorable conditions, because the abilities of men are unequal.

For dealings between employer and employee, there is a general rule given in the *Record of Rites.* When an employee wishes to undertake some work for an employer, he should measure his ability and duty, and all the labor conditions first, before entering on his employment. In this way, the one party has no ground for offense, and the other

[1] *Classics,* vol. iv, pt. ii, p. 601.

[2] Ch. ii.

avoids all risk of guilt.[1] According to this rule, the employee should make a careful bargain in the beginning, and employer and employee should not fight against each other afterward. If laborers would observe this rule, labor disputes would be much fewer.[2]

III. THE PRODUCTIVITY THEORY

The wages theory of Confucius is a productivity theory. This means that the amount of wages of the laborer should be according to the product which he contributes. Confucius says: "By daily examinations and monthly trials, and by making their rations in accordance with their labors: this is the way to encourage all the classes of artisans."[3] This is the principle of justice governing the law of wages. Of course, labor should not be underpaid; yet neither should it be overpaid. If it were overpaid, or to state it clearly, if poor labor were as well paid as good labor, there would be no encouragement for all classes of artisans. The good laborer would be disappointed, the survival would be of the unfit, and the standard of workmanship would be lowered. But, if we want to pay wages according to product, daily examinations and monthly trials are necessary; otherwise we cannot know the amount of productivity of labor. This theory is the fundamental law of wages.

What Confucius refers to is the factory system under which the government is the employer. If the government wants to make the state rich, it must give the laborers just wages; this is the principle of inducing all the classes of artisans to come in. If it is not so, the artisans will neither

[1] *Li Ki*, bk. xv, p. 72.

[2] In Canton there are the so-called "seventy-two trade guilds;" trade unions have been organized on the side of the employees. Both have existed for centuries.

[3] See *supra*, p. 316.

immigrate nor stay, and the wealth of the state will not be sufficient. Kuan Tzŭ also recognizes the importance of encouraging artisans to come in, but his policy for carrying it out is to raise wages to a rate three times as great as that of other states.[1] This policy cannot be a general principle, but simply a temporary measure for an emergent demand for labor. From the statements of Confucius and Kuan Tzŭ, we know that, in the Chou dynasty, there was a free movement of labor, and there was international competition for the labor market; hence, the amount of wages was the determining factor in the movement of labor.

The productivity theory is applied not only to manual labor, but also to mental labor. Confucius says:

In the service of a ruler, when great words are spoken to and accepted by him, great advantages to the state may be expected from them; and when words of small importance are presented to him, only small advantages are to be looked for. Therefore, a superior man will not for words of small importance receive a great salary, nor for words of great importance a small salary.[2]

Even in regard to the value of words, they should be neither overpaid nor underpaid. This is the principle of justice, and it is the rule of accepting wages.

According to Confucius, however, a superior man may accept underpay, but not overpay. He says:

The superior man will decline a position of high honor, but not one that is mean; and riches, but not poverty. In this way, disorder will more and more disappear. Hence, the superior man, rather than have his emoluments superior to his worth, will have his worth superior to his emoluments.[3]

[1] Bk. li.

[2] *Li Ki*, bk. xxix, p. 345.

[3] *Li Ki*, bk. xxvii, p. 286.

This principle is based on moral and social reasons, but not on economic law. According to economic law, men should never be overpaid, nor underpaid.

According to the principles of the Confucians, division of labor is a very important thing for society, and all labor is productive. Not only is the farmer productive, but also the artisan and the merchant. Again, not only are these three classes of people productive, but also the political officer and the moral teacher. Referring to these two classes of men, there are many arguments saying that they are unproductive. For this reason, let us study their productivity.

First, let us see how the political officer is productive. When Chen Hsiang, formerly a Confucian, but converted by Hsü Hsing, visited Mencius, he quoted the words of Hsü Hsing to the effect that the ruler should cultivate the land equally and along with his people.[1] Mencius said: "I suppose that Hsü Tzŭ sows grain and eats the produce. Is it not so?" "It is so," was the answer. "I suppose also he weaves cloth, and wears his own manufacture. Is it not so?" "No. Hsü Tzŭ wears clothes of hair-cloth." "Does he wear a cap?" "He wears a cap." "What kind of cap?" "A plain cap." "Is it woven by himself?" "No. He gets it in exchange for grain." "Why does Hsü not weave it himself?" "That would injure his husbandry." "Does Hsü cook his food in boilers and earthenware pans, and does he plough with an iron share?" "Yes." "Does he make those articles himself?" "No. He gets them in exchange for grain."

Mencius then said:

The getting those various articles in exchange for grain, is not oppressive to the potter and the founder, and the potter

[1] See *supra*, p. 385.

and the founder in their turn, in exchanging their various articles for grain, are not oppressive to the husbandman. How should such a thing be supposed? And moreover, why does not Hsü Tzŭ establish the pottery and foundery, supplying himself with the articles which he uses solely from his own establishment? Why does he go confusedly dealing and exchanging with all the artisans? Why does he not spare himself so much trouble?

Chen Hsiang replied: "The business of the artisans can by no means be carried on along with the business of husbandry."

Mencius resumed:

Then, is it the government of the empire which alone can be carried on along with the practice of husbandry? Great men have their proper business, and little men have their proper business. Moreover, even in the case of any single person, he may require various articles which are produced by all classes of artisans:—if he must first make them for his own use, this way of doing would lead the whole world into poverty.[1]

The doctrine of Hsü Hsing is extremely democratic. He teaches that everyone should support his mouth by his own hand, and that all rulers should be farmers. But it is impossible. Mencius' doctrine is based on the principle of division of labor. The governing class supported by others does not oppress the people, because the men of this class cannot cultivate the land at the same time they work in the government, and because their mental work cannot be done by the governed. It is merely an exchange of services, and the governing class and the governed class depend upon each other. The ruler exchanges his governmental work for food from the farmer just as the potter and the founder

[1] *Classics,* vol. ii, pp. 247-9.

exchange their articles for the grain of the farmer. From this point of view, we can justify not only the political relation between the ruler and the subject, but also the economic relation between manager and common laborer. Indeed, distribution according to productivity is universal justice.

Second, let us see how the moral teacher is productive. Followed by "several tens" of carriages and attended by several hundred men, this is the way Mencius traveled from one prince to another, and lived on their hospitality. P'êng Kêng, his pupil, thinking this excessive, says: "For a scholar, doing no business, to receive his support, is improper." Mencius answers:

If you do not have interchange of service and exchange of productivity, so that one from his overplus may supply the difficiency of another, then the husbandmen will have a superfluity of grain, and the women will have a superfluity of cloth. If you have such an interchange, carpenter, mason, wheelmaker, and carriage-wright, may all get their food from you. Here now is a man, who is filial at home, and fraternal abroad; who keeps the principles of the ancient kings, awaiting the rise of future learners:—and yet you will refuse to support him. How is it that you give honor to the carpenter, mason, wheel-maker, and carriage-wright, and slight him who practises benevolence and righteousness?

Then P'êng Kêng says that those laborers should be fed by society because their purpose is for their living, but that the superior man should not be fed by society because his purpose is not for his living. Mencius replies: "What have you to do with their purpose? Anyone who is of service to you deserves to be supported, and should be supported." Then he asks P'êng Kêng whether he would pay a man for his purpose or for his service. To this P'êng cannot help but answer that he would pay him for his purpose.

Mencius asks him: "There is a man here, who breaks your tiles, and disfigures your painted walls with his knife; his purpose may be thereby to seek for his living, but will you indeed remunerate him?" "No," says P'êng. Then Mencius concludes: "That being the case, it is not the purpose which you remunerate, but the work done." [1] From Mencius' point of view, the formula of distributive justice is: to each according to his productivity, not his wants.

Kung-sun Ch'ou, pupil of Mencius, says to him: "It is said in the *Canon of Poetry*, 'He will not eat the bread of idleness.' How is it that we see superior men eating without farming?" Mencius replies: "When a superior man resides in a country, if its sovereign employ his counsels, he comes to tranquillity, wealth, honor, and glory. If the young in it follow his instructions, they become filial, fraternal, faithful, and sincere. What greater example can there be than this of not eating the bread of idleness?" [2]

The arguments of both P'êng Kêng and Kung-sun Ch'ou refer to Mencius himself. But he maintains that reward should be according to productivity, and that a moral teacher is much more productive than a carpenter, mason, wheel-maker, carriage-wright or farmer. In short, by productivity, he means production of utility, and not merely production of things. Since a moral teacher produces a great amount of social utility, he is justified in receiving a reward from society.

IV. STANDARD OF WAGES

As we have seen that wages are a substitute for tillage, the products of the former are therefore the bases of wages. Just as the amount of products is different among farmers, so the amount of wages is also different

[1] *Classics*, vol. ii, pp. 269-271.

[2] *Ibid.*, p. 467.

among laborers. Yet there must be an equality between the products of the farmers and the wages of other laborers, otherwise no one's wages would be enough to substitute for tillage, and no one would give up his farm for other employment.

According to Mencius and the "Royal Regulations," the standard of wages is something like this: Each farmer tills one hundred acres, together with some capital such as manure. Yet the products of the farmers are different from each other. They are classified into five grades. The products of the best farmer can support nine persons, and the products of those ranking next to him can support eight. The products of the average farmer can support seven persons, and the products of those ranking next to him can support six. The products of the poor farmer can support only five persons. These differences in their products are due to the fact that their efficiency is various. Yet they serve as the standard for the wage scale of common laborers. The salaries of the common people who are employed about the government offices are regulated according to these five grades.[1]

The wages theory of Mencius is quite like that of Henry George. Henry George takes the margin of production of the farmer as the standard of wages. The amount which the farmer can produce upon free land for himself is the basis of wages, otherwise he will not work for others. "The condition of labor in these first and widest of occupations," he says, "determines the general condition of labor, just as the level of the ocean determines the level of all its arms and bays and seas."[2] This is exactly what Mencius means. In the time of Mencius, there was no private ownership of

[1] *Classics,* vol. ii, p. 376, and *Li Ki,* bk. iii, p. 210.

[2] *Social Problem,* p. 190.

land; every man received free land from the government; and agriculture was the dominant industry. Under such conditions, the standard of wages was necessarily equal to the gain of the farmer, although the latter's gain was mixed with land values.

In the statements of Mencius and the "Royal Regulations," wages means real wages. Those statements do not measure wages in terms of money, nor in terms of any particular good, but in a certain amount of general products which can support a certain number of persons. This theory of real wages will hold true in all places and all times. Even the standard of living affects the rise and fall of wages, but it cannot affect the wage scale itself. If the standard of living is higher, it requires higher wages; if it is lower, it allows lower wages. But, in either case, the lowest wages in the scale must be sufficient to support five persons, and the relation among the different wages will remain the same in the scale. Because the scale is based on real wages, the principle of wage-measuring will not be changed by changes in the quantity of money, nor by the movement of price, nor by the standard of living.

The statements of Mencius and the "Royal Regulations" also fix the limit of the minimum wage. Cantillon says: "The lowest species of common laborers must everywhere earn at least double their own maintenance, in order that one with another they may be enabled to bring up two children." [1] Adam Smith said that in Great Britain the wages of labor seemed, in his day, to be evidently more than what was precisely necessary to enable the laborer to bring up a family.[2] But Mencius and the "Royal Regulations" give definitely the law of minimum wage—that is, the lowest rate of the wage of the poorest laborer must be

[1] *Wealth of Nations*, bk. i, ch. viii, p. 70. [2] *Ibid.*, p. 75.

large enough to support five persons. This is the smallest product of the poor farmer, and fixes the smallest wage of the lowest laborer.

V. IDEAL SCALE OF WAGES IN THE WHOLE SOCIETY

As we have said that the Confucians regard all public officers as laborers, and their salaries as wages, we can now form an ideal scale of wages in the whole society. From the Confucian point of view, we never could make such a mistake as to say that agricultural labor is the only productive labor. The farmer is a real farmer indeed, but the public officer is a substitute for the farmer. The difference between the farmer and the public officer simply is in the division of labor. Now, some officers are not only productive, but also in a much higher degree than the farmer. And in turn, society gives them a reward much higher than the ordinary wage. According to Mencius, the product of the best farmer forms the basis of the salaries of all public officers. The salary of the subordinate scholar is equal to the product of the best farmer; that of the middle scholar is twice as much as the product of the best farmer; that of the superior scholar is four times as much. The salary of the great official is eight times as much. All the salaries of the three classes of scholars and of the great officials are uniform throughout the whole empire. Then the salary of the minister of the small state is sixteen times the product of the best farmer, and that of his prince is one hundred sixty times; that of the minister of the second state is twenty-four times, and that of his prince two hundred forty times; that of the minister of the great state is thirty-two times, and that of his prince three hundred twenty times. The salaries of the ministers and princes vary according to the size of their state. Mencius does not mention the amount of the salary of the emperor,

yet it is implied in the principle that the salary of the ruler is ten times that of his minister. We can say, therefore, that the salary of the emperor is three thousand two hundred times the product of the best farmer, because the income of his minister is equal to that of the prince of the great state. In short, the emperor and all other public officers are laborers who are substitutes for the farmers, working in the government; and all their salaries are wages, which are the substitute for tillage. Although their labor is not of the same kind, and their wages are not of the same amounts, the scale of their wages, nevertheless, is proportional to the product of the farmer.

Now, what is the scale of wages of common laborers? This scale has been stated before, but it should be made clearer now. The scale of common wages is based on the amount of product of the poor farmer, which is large enough to support five persons. Then the scale goes up to the different amounts of wages which can support six, seven, eight and nine persons. In this scale, there are five grades. The highest wage for common labor is sufficient to support nine persons, and the lowest, to support five.

Therefore, we can see the whole scale of all the various wages in the whole society. The so-called professional men or salaried class should belong to the official class. There are six main gradations in their wages. But, if we come to details, there are really eleven grades as shown by the different amounts of salary. The manual-labor or wage-earning class belong to the farmer class. Their wages are of five grades. The salary of the subordinate scholar and the product of the best farmer stand exactly on the dividing line between the official and the farmer classes. Taking two extremes in this scale, the poor farmer receives the lowest wage, the emperor the highest. Or, in other words, the minimum wage can support five persons, and the

maximum wage can support two million eight hundred eighty thousand persons.

VI. EDUCATION AS A SOLUTION OF THE WAGES PROBLEM

Since there are officials, and their salary is great, how can we solve the problem of wages and distribute wealth justly? It is by education. Adam Smith says: "The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education." This is exactly the view of Confucius.[1] He says:

> Those who are born with the possession of knowledge are the highest class of men. Those who learn, and so readily get possession of knowledge, are the next. Those who are dull and stupid, and yet compass learning, are another class next to these. As to those who are dull and stupid and yet do not learn, they are the lowest of the people.[2]

Therefore, man is determined, not by nature, but by education. If he has education, even though he be dull and stupid, he will be ranked with those two classes of men in the final result.[3] And the really low class of people are only those who do not educate themselves. Since education determines the standing of men, it determines also their wages.

When Tzŭ-chang wants to learn something about the getting of an official salary, Confucius says:

> Hear much and put aside the points of which you stand in doubt, while you speak cautiously at the same time of the others: then you will afford few occasions for blame. See much and put aside the things which seem perilous, while you

[1] See *supra*, p. 135.

[2] *Classics*, vol. i, pp. 313-4.

[3] *Ibid.*, p. 407.

are cautious at the same time in carrying the others into practice: then you will have few occasions for repentance. When one gives few occasions for blame in his words, and few occasions for repentance in his conduct, he is in the way to get a salary.[1]

One day Confucius said: "There is ploughing; even in that there is sometimes want. So with learning; an official salary may be found in it."[2] According to him, although education is not for the sake of getting a salary, it is the way of getting it. Therefore, he points out that the salary is the result of education, in order to encourage the people to learn.

According to Mencius, everyone may become like Yao and Shun;[3] and according to Hsun Tzŭ, anyone on the street may become like Yü. Their meaning is that everyone may become a sage. But Hsun Tzŭ explains this point more clearly. He says:

Let any man on the street addict himself to the art of learning with all his heart and the entire bent of his will, thinking, and closely examining; let him do this day after day, through a long space of time, accumulating what is good, and he will penetrate as far as a spiritual intelligence, and he will become a triumvir with Heaven and Earth. It follows that the characters of the sages were what any man may reach by accumulation.[4]

Hence, according to Hsun Tzŭ, education is the only thing which makes the mean noble, the fool wise, and the poor rich. Indeed, education has great power to make the man. Even if the educated man is poor, he is really rich on account of his worthiness.[5]

[1] *Classics*, vol. i, p. 151.
[2] *Ibid.*, p. 303.
[3] *Ibid.*, vol. ii, p. 424.
[4] *Ibid.*, pp. 85-6.
[5] Bk. viii.

There is a poem written by Han Yü emphasizing the importance of education for the encouraging of his son, Han Fu, to study. In part it runs as follows:

If you want to know the effect of education,
It is that the wise and the fool are of the same origin;
Because they cannot have the same learning,
Different houses they are entering.
Two families respectively have a son;
The skill of the two babies is at the same condition.
When they are a little older,
As a couple of fishes they play together.
Up to the age of twelve or thirteen,
The differences in their appearance just begin.
At twenty, they are more unlike:
Clean canal and cesspool in the sight.
At thirty, their physical development is certain:
But one hog and one dragon.
The latter flies away,
And cannot help the toad on its way.
The one is a driver before a horse;
His back is flogged and becomes the home of insects.
The other is a duke and a minister,
Living in a mansion in a magnificent manner.
Ask what is the reason,
Education and non-education.
Gold and jade although they come so dear,
Soon waste away and disappear.
Education is kept in your body;
While the body exists, it is plenty
That the people belong to either high or low class,
Is not on account of their parents.
Don't you see the duke and the minister,
Raising themselves from the farmer?
Don't you see the descendants of the nobles,
Hungry and cold, go out without an ass?

All that we have said above concerns the relation between education and official salary. But how about the relation between education and ordinary wages? It will be the same thing. If the unskilled laborer wants to get the wage of the skilled laborer, he must first educate himself to be a skilled

laborer. If he wants to get the salary of the manager, he must first educate himself as a manager. It is sometimes the case that he cannot get a good salary, even though he has a good education. But there is no hope of his getting a good salary without educating himself. Therefore, just as political democracy is based on education, so also is industrial democracy based on education. In short, from the Confucian point of view, education is the solution of the wages problem, which is the chief problem in the distribution of wealth.

BOOK VIII. SOCIALISTIC POLICIES

CHAPTER XXVI

The Tsing Tien System [1]

I. HISTORY OF TSING TIEN

The *tsing tien* system is the most important element in Chinese economic thought and history. According to a few modern scholars, this system was never in actual operation, but only a theory of Confucians. It is true that in ancient times, the *tsing tien* system could not have been as perfect as the Confucians taught; but it is also true that this system had been partly realized before the time of Confucius. Probably the original form of this system was not unlike the manorial system of England; it was then improved by many of the ancient great kings; and finally it was modified by the Confucians into an ideal system. But, so far as we can judge from Chinese literature, however imperfect the *tsing tien* system was originally, it was never as bad as the English manorial system, nor was the condition of the people so wretched as that of the villeins. Let us study the history of *tsing tien* system.

1. *The Reign of Huang Ti*

According to historians, the *tsing tien* system began in the legendary age. Huang Ti (2147-2048 B. K. or 2698-2599 B. C.), the founder of the Chinese Empire, was its

[1] For the meaning and the form of *tsing tien* see *supra*, pp. 352-5.

originator. He was the first one who established the rules of measure, and regulated the division of land into paces and acres, in order to prevent disputes and poverty. He made one *tsing* consist of eight families. Within the limits of one *tsing,* four roads were opened, the eight houses were separated, and a *tsing* (well) was dug in the center. The principles of this system were these: first, it did not waste land, because there was only one well for all eight families; second, it saved expense for each single family, because they had a well in common; third, it unified their customs; fourth, it improved their productive arts, because they could imitate one another; fifth, they exchanged easily their commodities; sixth, during the absence of some, others guarded for them; seventh, when they went out and came in, they took care for one another; eighth, they introduced intermarriage; ninth, in case of need, they lent wealth to one another; and tenth, in time of sickness, they cared for one another. Therefore, their feelings were harmonized without quarrels or litigation; and their wealth was equalized without deceit or oppression.

According to the political divisions, one *tsing* was also called a "neighbor;" three neighbors made up one "friendship;" three friendships, one "ward;" five wards, one "town;" ten towns, a "center;" ten centers, one "multitude;" and ten multitudes, one "province." By these divisions, the *tsing* was the starting point, because the settlement of the people was the basis; and when it came to the province, the statistics were complete. Through the Hsia and the Yin dynasties, this system of division was not changed.[1] Therefore, in the reign of Huang Ti, there was already the form of *tsing tien,* that is, the division of land, but the number of laws had not been completed.

[1] *General Research,* ch. xii.

2. *The Three Dynasties*

During the Three Dynasties, Hsia, Yin and Chou, the *tsing tien* system was developing step by step. According to Mencius, the Hsia dynasty allotted fifty acres to one man, and he paid the produce of five acres to the government as a tax; the Yin dynasty allotted seventy acres, and he paid that of seven acres; the Chou dynasty allotted one hundred acres, and he paid that of ten acres. Therefore the tax system of the Three Dynasties was really a tithe.[1]

We must understand, however, that the Three Dynasties did not change the size of the field as from the allotment of fifty acres to that of seventy, or from that of seventy to that of one hundred acres. The difference in the number of acres was due to the different units of measurement of the Three Dynasties. The form of field, as we know, was very complicated, and it would have been difficult as well as unnecessary to change it. There is, therefore, every reason to suppose that in each of the Three Dynasties the same amount of land was allotted to each family and each was required to pay the same tax.

During the Chou dynasty, the *tsing tien* system was completed. According to the *Official System of Chou,* the distribution of land was according to a definite principle; its quantity should be in accordance with its quality. In the neighborhood of cities, each family received one hundred acres of the unchanged land, which was cultivated every year; or two hundred acres of the second class of land, cultivated every other year; or three hundred acres of the third class of land, cultivated every third year. But in the country, there was a more favorable law. Of the superior land, one man, together with his wife, received a home of five acres in the town, one hundred acres of land, and fifty

[1] *Classics,* vol. ii, pp. 240-41.

acres of fallow land which was purposely left idle for the preparation of another crop. Of the ordinary land, one man received a home, one hundred acres of land, and one hundred acres of fallow land; and of the inferior land, one man received his home and one hundred acres of land together with two hundred acres of fallow land. If any family had a large number, the "supernumerary male" received an amount of land as follows: of the superior land, twelve and a half acres of fallow land; of ordinary land, twenty-five acres; of inferior land, fifty acres; while in all three grades, he received twenty-five acres of land to be cultivated.[1] The differences between the law which was applied to the neighborhood of cities and that which was for the country were these: around the cities, no fallow land was given as an addition to superior land, and nothing was distributed to the supernumerary males. The reason the countrymen were shown more favor was because the government gave special grace to those people who were far away from the cities. Moreover, near the cities, with a large population and a limited amount of land, it was impossible to use the same law as in the country. And the favorable law of the country might have been a policy of the government to draw the population from the cities. There is still another point: as the economic life of the cities was different from that of the country, the people of the cities did not need so much land as those in the country.

For the distribution of land, there was also another principle: the quality of land was in accordance with the size of the family. To a large family, from eight persons up to ten, superior land was distributed; to an ordinary family, from five to seven, ordinary land was distributed; and to a small family, from two to four, inferior land was dis-

[1] *Canonical Interpretation of the Ts'ing Dynasty*, vol. liii, ch. i.

tributed. For each grade of land, there was a sub-division; and altogether there were nine different classes of land.[1]

II. THE TSING TIEN SYSTEM OF CONFUCIUS[2]

Since we have already studied the form of *tsing tien* and its history, we now turn to the details which are described by the Confucians. First, we take up the *tsing tien* itself, and see what it is. According to Mencius, a square mile forms a *tsing*, and it contains nine hundred acres. The central square of the *tsing* is called the public field; and the surrounding eight squares are called private fields for assignment to the eight families.[3] In the center of the public field, twenty acres are taken out for the cottages of the eight families, each having a share of two acres and a half. The remaining eighty acres of the public field are cultivated in common by the eight families, each really cultivating ten acres. Each family receives one hundred acres of the private field from the public, and gives its labor to the public for the cultivation of ten acres in the public field; this is the system of tithe.

Since a *tsing* is the smallest community based upon common economic interest, it is not only a community of agriculture, but also a community of commerce. As the exchange of wealth is very small, a market-place is established in every *tsing*, and people can get the necessities of life

[1] These rules of distribution of land mentioned in these two paragraphs differ somewhat from those of the next section. As that section is based on the *Spring and Autumn*, the "Royal Regulations," and Mencius, it gives the theories of Confucians; the description in these two paragraphs is based on the *Official System of Chou* and may be assumed to correspond with the actual practice under the Chou dynasty.

[2] A complete description is given in the *Annotation of Kung-yang*, 15th year of Duke Hsüan.

[3] *Classics*, vol. ii, p. 245.

very easily. Because every *tsing* is at the same time a market, the common term "*shih tsing*" comes into existence; *shih* means market, and *tsing* is the *tsing tien*. This term is still used for the commercial district of the great cities.

To secure an equal distribution of the land there were the following rules: Generally, five persons make up a family—that is, husband and wife, together with parents and children. A farmer's family receives one hundred acres of the private field, five acres for the house in the town, two acres and a half for the cottage in the field, and ten acres of the public field; the total amount is one hundred seventeen and a half acres. If the family has more than five persons, its young man is called a supernumerary male, and he receives twenty-five acres without paying taxes.

The family of the student, artisan, and merchant also receives a share of land, but its amount is diminished. When these come to the age of maturity, they receive individually half the amount of the farmer—fifty acres; and their supernumerary male receives one-fifth the amount of the farmer—twenty acres.[1]

The age of maturity is twenty, and the people receive a full share of land, one hundred acres, at that time. But the land can neither be handed down to descendants, nor sold to others. It must be returned to the government at the age of sixty. From sixteen to twenty, youths are called supernumerary males, and receive a quarter of the full share. Among all the people, those above seventy years of age are supported by the state; those below ten are brought up by it; and those above eleven are compelled to practise by it.[2]

The land is divided into three grades, according to its

[1] *History of Han*, ch. xxiv. *Annotation of the Official System of Chou*, ch. xiii.

[2] *History of Han*, ch. xxiv.

quality. The superior land is cultivated every year; the ordinary land, every two years; and the inferior land, every three years. Each family receives one hundred acres of superior land, or two hundred acres of ordinary land, or three hundred acres of inferior land. Every three years the land and the residence of the various families are interchanged. In this way no one can always enjoy rich land, or suffer on the poor land. The rules described above are applied to the plain only. Among the mountain, hill, marsh, and salt lands, the distribution differs in quantity according to quality.[1]

According to Mencius, from the highest officers down to the lowest, each one must have his holy field, consisting of fifty acres. But according to Ho Hsiu, the local officers, such as the patriarchs and the justice, receive two shares of land, that is, two hundred acres. These statements are both correct. For Mencius refers to the government officers who receive salary; and the holy field is only for the purpose of religious worship. But Ho Hsiu refers to the local officers, who are elected by the people and receive no salary.

Third, we shall see how the works of the people are regulated. When they plant grain, they are not allowed to plant a single kind. Generally, they plant five kinds—rice, millet, panicled millet, wheat and pulse—in order to avoid bad crops. Within the field, no tree is allowed to be planted, lest it should give trouble to the grain. Around their cottages which are in the center of the public field, they plant mulberry trees; in their small gardens, different vegetables; and in the boundaries of their cottages, different fruits. Each family keeps five hens and two sows. The work of cultivating silkworms and weaving is the special profession of women.

[1] *History of Han,* ch. xxiv.

During spring, summer and autumn the people all work in the field. In the morning and evening, the patriarch and the justice, as overseers, sit in the houses which are in the two sides of the gate of the village. Those who go out too late are not allowed to go out, and those who do not bring some fuel back are not allowed to come in. When they bring fuel, they help each other according to the weight of their burdens, and assume the entire load of the grey-haired men. The patriarch and the justice can go back to their home only after the people have all gone out, or after they have all come in.

Besides the cottages in the field, the people have homes in the town, which is not far away from the field. A town covers several villages, and a village is made up of eighty families which come from ten *tsing;* while eight families occupy one street together. Around their homes, each occupying five acres, the space beneath the walls is planted with mulberry trees, with which the women nourish silkworms.[1] After the harvest, they all live in town. Then the justice hurries them to make the cloth. In the evening, men and women work together in the same street, spinning until midnight; hence, the work of women amounts to forty-five days' labor in the length of one month. This work commences in the tenth month, and ends in the first. They must work together to save light and heat; to disseminate the arts; and to make uniform their customs. All these rules tend to make their productive power alike, in order to equalize their wealth. In fact, the *tsing tien* system is a peculiar form of co-operative production.

Fourth, we shall notice that the *tsing tien* system is as individualistic as socialistic. Each man has his own land, his own cottage, his own home, his own mulberry trees, vege-

[1] *Classics,* vol. ii, p. 461.

tables, fruits and animals, and all other properties which belong to him. He reaps what he has produced in the field, varying from the amount which can support nine persons to that which can support only five. Moreover, from sixty to sixty-nine years of age, after he has returned the land to the public, he is supported, either by his children or by his accumulations. Therefore, from eleven up to seventy, he depends entirely upon his own. This is also individualism.

In conclusion, the *tsing tien* system is a group system based on territory. In the field, one *tsing* is the unit of division, and consists of eight families; in the town, one village is the unit, and consists of eighty families. Regardless of any blood-relationship, the only basis for the group system is territory. Therefore, the *tsing tien* system is not an ethnical society, but an economic, ethical, social, political and military society. From the foregoing description, everyone will see that it is an economic society. To prove that it is an ethical society, we may quote from Mencius, as follows:

> When the land of the district is divided into different *tsing*, the people live together according to the same *tsing*. Therefore, they render all friendly offices to one another in their going out and coming in, aid one another in keeping watch and ward, and sustain one another in sickness. Thus the people are brought to live in affection and harmony.[1]

Since every village has a school house which serves also as an ethical church and a meeting house for social and political activities, it is a social and political society. The farmers are at the same time the soldiers, and ten *tsing* combine together to supply one chariot as the military duty. In time of peace, they are co-workers at home, and in time

[1] *Classics*, vol. ii, p. 245.

of war, they are co-fighters in the battle-field. Therefore, *tsing tien* is a military society. In short, the *tsing tien* is the basis of everything. As we describe many features of it in other places, we do not mention them here.

III. HISTORY OF THE DESTRUCTION OF TSING TIEN

Toward the end of the Chou dynasty, in 202 A. K. (350 B. C.), the state of Ch'in destroyed the *tsing tien* system. It was the policy of Shang Yang, minister of Ch'in. He thought that in the three neighboring states the people were poor and the land was not sufficient for them; and that in his own state the people were few and the land was more than they needed. Hence the land of Ch'in was not thoroughly cultivated, and the productive power of the soil was not fully utilized. Therefore, he lured in the people of the three neighboring states, with a special preparation of good farms and homes for them, and with an exemption of military duties for three generations; the only thing for them to do was the agricultural work at home. Then the native people undertook the charge of expeditions abroad. He destroyed the form of *tsing tien* which was created by the ancients, and opened the different roads and boundaries along the field for extensive cultivation. The people were allowed to take as much land as they wanted. The result of this policy was that within a few years, the state was rich and strong, and gained power for the consolidation of the whole empire.

This new law inaugurated a revolution in the economic history of China. It was the first time the people were given private ownership of land. From that time on, the land was not in the hands of the government, and the public could never control the wealth of the community.

In 336 A. K. (216 B. C.), the First Emperor of the Ch'in dynasty decreed that the people should themselves tell the

amount of their land, in order to regulate the land tax. Since that year, throughout the whole empire, private ownership of land has prevailed, and everyone has been permitted to sell or buy land.

IV. HISTORY OF THE UNSUCCESSFUL ATTEMPTS TO REVIVE THE TSING TIEN SYSTEM

1. *Limitation Policy*

After the *tsing tien* system was destroyed, land was an object of sale and purchase. Therefore, the rich had an unlimited portion of land, and the poor had not even a single clod. In the reign of Han Wu Ti (about 432 A. K. or 120 B. C.), Tung Chung-shu was the first one to advocate the limitation of land-ownership. But his proposal was not carried out.

During the reign of Han Ch'êng Ti (520-545, or 32-7 B. C.), Chang Yü, the minister, owned forty thousand acres of the best land, and others who monopolized the land owned large tracts. In consequence the people were in a very bad condition. When Ai Ti came to the throne (545, or 7 B. C.), Shih Tan, the minister, proposed that there should be a limitation of property. Then a law was made which provided that all the princes, the marquises, the princesses, the landless marquises, the officials and the people should not own land beyond the limit of three thousand acres; and that the limit of slaves was two hundred persons for the princes, one hundred for the marquises and the princesses, and thirty for the landless marquises, the officials and the people. After a period of three years, this law was to take effect, and any offender against it should be punished by forfeiture. Then the price of land and slaves fell. But the favorites of the court did not like the law, and it was not enforced.

2. *Confiscation Policy*

During the time of Wang Mang, the poor had no land, and only borrowed it from the rich; hence they paid half of their produce to the rich. Therefore, the rich were vicious because of their haughtiness, and the poor were wicked because of their poverty; they both fell into guilt. In 560 (9 A. D.), Wang Mang decreed that the land of the whole empire should be called "imperial land," and slaves should be called "private dependents;" neither could be sold or purchased. Those families which had fewer than eight male members, but had land amounting to more than one *tsing*, should distribute the surplus of land to their relatives and townsmen. The offender should be punished by death. But the law was not justly fixed, and the officials took advantage of that fact to make fraudulent gains. Hence the whole empire was disturbed, and a great number of people fell into punishment. In 563, as Wang Mang understood the bad feelings of the people, he decreed that the "imperial land" and the "private dependents" could be sold without prohibition. Since all his policies were unwise, he did not succeed in anything.

V. HISTORY OF THE REVIVAL OF TSING TIEN

1. *The Tsin Dynasty*

In the decay of the Latter Han dynasty and throughout the period of the Three Kingdoms (735-831, or 184-280 A. D.), the whole empire was disturbed by warfare. In 831, the year that Tsin Wu Ti reunited the empire, the total population numbered only 16,163,863. Though these figures cannot be exact, the population was certainly greatly reduced since the warfare had continued about one century. Because the great empire had only a sparse population, because land-ownership was either destroyed or changed, and because the land practically belonged to the govern-

ment, Wu Ti was enabled to distribute the land to the people. Hence, from this time (831, or 280 A. D.) to the Tang dynasty (1264, or 713 A. D.), the *tsing tien* system of Confucius was practically carried into effect, although there was an interruption of about one century and a half.

(a) *Classification of People by Ages*

According to the law of 831 (280 A. D.), the men and women were classified by ages. The class from sixteen to sixty was called regular adult; from thirteen to fifteen, and from sixty-one to sixty-five, secondary adult; and from twelve down, and from sixty-six up, young and old, who were exempted from labor. This distinction among different ages embodied the same principle as modern labor laws; it gave more work to the regular adult, less to the secondary adult, and none to the old and young. As modern labor laws give special protection only to children and women, the law of the Tsin dynasty was more complete, because it gave protection to the old as well.

(b) *Equal Distribution of Land*

Among all the people, each man was given seventy acres of land, and each woman thirty acres. Besides these, for the regular adults, the man was given fifty acres of taxed land which was required to pay the land tax, the woman twenty acres; for the secondary adults, the man was given twenty-five acres of taxed land, and the woman was given nothing.

By this law, from sixteen to sixty years of age, every man got one hundred twenty acres of land, and every woman fifty acres. From thirteen to fifteen, and from sixty-one to sixty-five, every man got ninety-five acres of land, and every woman thirty acres. This law gave real rights to the

women, who could become economically independent of the men. The reason women got less land than men was because they could not work so much as men. The law did not favor women less, but it pitied them more.

The historians tell us that in the reign of Wu Ti there was universal peace; taxation was equal, and everyone enjoyed his work. But no fuller details of the distribution of land are given.[1] Unfortunately, the successor of Wu Ti was most stupid, and the whole empire fell into disorder. How long this law remained in force is unknown, but it must have been about thirty years at the least.

2. *The Northern Wei Dynasty*

After the reign of Tsin Wu Ti, first came the Wars of the Eight Princes (851-857, or 300-306 A. D.), and next, the Rebellions of the Five Barbarians (855-990, or 304-439 A. D.). As a great part of the population was swept away, and also with them ownership of land, the Northern Wei dynasty was enabled to regulate again the distribution of land. Moreover, although the system of Tsin Wu Ti had been destroyed, something must have remained. In 1028 (477 A. D.), Hsiao-wên Ti decreed that one man should cultivate forty acres of land, and a young man twenty acres. This shows that there must have been a remainder of the system of Tsin, otherwise how could one man have forty acres for cultivation? At that time, the advocate of the equalization of land was Li An-shih (994-1044); his proposal was approved by the emperor, and carried out into actual law.

(a) *The Opened Land*

In 1036 (485 A. D.), Hsiao-wên Ti gave a decree for the equal distribution of land. From the age of fifteen

[1] *History of Tsin*, ch. xxvi.

years up, each man received forty acres of the opened land in which nothing had been planted, and each woman received twenty acres; the slave was treated like the free citizen. For each ox or cow, there was given a share of thirty acres, the limitation in number being four oxen. The poor land which was assigned for the oxen was generally given in double amount; if the land could be cultivated only the fourth year, it was given in quadruple amount; this was for cultivation by the oxen, and for a convenient way of distributing land. Those people who had reached the taxable age received land, and those who were old enough to be exempted from taxation, or who died, returned it.

The opened land was called the regular land, that on which the law of distribution of land was based. It was the most important point by which the equalization of land was carried out. After the destruction of *tsing tien,* the land had been under private ownership; if the government had taken it from the rich to give it to the poor, it would have caused great confusion and discontent. Now, in the Northern Wei dynasty, the land which was subject to the law of acceptation and return was the opened land on which nothing had been planted. The opened land might have been free land without private ownership, and belonged practically to the government.

(b) *The Flax Land*

There was a kind of land called flax land, on which flax was planted. When a man reached the taxable age, he was given ten acres of flax land; a woman was given five acres; the slave was treated like the free citizen. This land, too, was subject to the law of acceptation and return.

On all the lands which were to be returned, no mulberry, nor elm, nor date, nor any fruit was allowed to be planted. The offender should be punished as a violator of the consti-

tution. After these lands were returned, they were distributed again.

(b) *The Mulberry Land*

There was another kind of land called mulberry land. When a man first received it, he had a share of twenty acres. It was not subject to the law of acceptation and return, and it was classified as the double land; that is, the regular land was the principal share of each person, and the double land was the auxiliary. If the amount of mulberry land was more than a man's share, it should not be counted as that of opened land; but if it was less than his share, he should take the opened land to fill up the amount of double land. This means that private land should not be substituted for public land, but that public land should be substituted for private land. The recipient was required to plant fifty mulberry trees, five date trees, and three elms. In the non-mulberry land, a man received one acre; he should plant here also elms and dates. The slave was treated like the free citizen. Within the limit of three years, the plantation should be finished; if it had not been finished, the unfinished part should be taken away. In the mulberry land, one was allowed to plant more mulberry trees and elms, or other kinds of fruit. All the mulberry land should be hereditary property; when the owner died, his land did not need to be returned. The distribution of mulberry land was in accordance with the then existing population only; he who held more of it than his share had no acceptation nor return, but he who held less of it than his share should accept a full amount and plant something according to the law. If he had more, he was allowed to sell the surplus; if he had less, he was allowed to buy it; but no one should sell his share, or buy more than the amount of his share.

The mulberry land was the private property on which the owner planted mulberries or elms. Under the law of the

Northern Wei dynasty, which took away house and mulberry land from those people only who were exiled to distant regions, or who had no descendants, the private property of the people in general was not touched. Hence, this law gave freedom of sale and purchase to the people in order to equalize their private property. There was a universal standard for such equalization, namely, twenty acres of the mulberry land as the share of one man. Although he who had more than that amount was allowed to retain it, no one was allowed to sell his share, nor to buy more than his share. It was a convenient way to equalize private land.

(d) *Privileges for the Weak People*

If the members of a family were all aged persons, children, and sick persons, who did not accept any land, a half share of the land of one man was given to each sick person and to each child over eleven years of age. The aged man over seventy years was not required to return his land. The widow who did not marry again, although she was exempted from taxes, was given the same share of land as the taxed woman, twenty acres of the opened land.

(e) *Adjustment between Land and Population*

In sparsely-populated places, the government leased the land to the people as far as possible. When any newcomer came in, land was distributed to him according to the general law. In densely-populated places, if a man who was to receive a new share of land on account of the increase in the members of his family, did not wish to move, the mulberry land of his family was taken into account as the share of the regular land; that is, taking his private land to fill the amount of public land which he should receive. If it was still not enough, he was not given the double land

in addition; that is, he had only the amount of regular land. If it was still not enough, the shares of the members of his family should be reduced; that is, they should not get the full amount of the regular land. Those places where there were no mulberries were regulated by this law. Anyone who wished to move was allowed to settle in any place where land was plentiful; no discrimination was made against him who came from a different province or district. But, if he simply wished to escape from a place where there was difficulty, and to come to a place where there was ease, solely for the sake of his own advantage, it was not allowed. In those places where there was enough land, he was not allowed to move without reason.

For all the new settlers, one acre was given to every three persons for a home, and this amount was given to every five slaves also. From the age of fifteen up, each man or woman was required to plant on his share of the land vegetables covering one-fifth of an acre.

(f) *Miscellaneous Rules for Distributing Land*

All the acceptation and return of land took place in the first month. If anyone died after having accepted land, or sold or purchased slaves and oxen, the acceptation and return of land should take place in the first month of the following year.

For the share of one person, the regular land and the double land should be distinguished. The one should not be confounded with the other.

When a family increased its members, it should receive a new share of land, taken from its neighborhood. When two families were to receive land at the same time, and they were both near to that land, it should be given to the poor family first and then to the rich. This law was also applied to the double land.

If any were exiled to a distant place, or had no descendants so that the family was extinguished, all their houses and mulberry lands should become public land, in order to be distributed. In the order of distributing them, their relatives stood first; and before these lands were distributed, they should be loaned to the relatives.

When the officials took office, public land located near to their office was given to them. The governor was given one thousand five hundred acres; the prefect, one thousand acres; each of the different sub-prefects, eight hundred acres; and the district magistrate and the assistant sub-prefect, six hundred acres. When they left their offices, they were required to transfer the public land to their successors. If they sold it, they were punished according to the established law.

(g) *Criticism of the Law of the Northern Wei Dynasty*

In Chinese economic history, for the society as a whole, the equalization of land by the Northern Wei dynasty is next in importance only to the *tsing tien* system. The good points of the law have been stated above; we should now criticize its bad points. In the first place, slaves had their share of land. In the opened land, the flax land and the mulberry land, slaves were treated as citizens; and among the new settlers, five slaves were equal to three citizens. So far as they were dependent and could be sold and bought as property, the share of the slaves benefited only the slave-holder. In the second place, for each ox or cow, a share of thirty acres of opened land was assigned. Though there was a limitation to four oxen, this still gave the ox-owner a special benefit. From these two points, we may sum the matter up in a word—this law was especially favorable to the capitalist. Hence it diametrically opposed the fundamental principle of the equalization of land. But,

as this law was good in general, this defect should not be unduly emphasized.

According to the taxation system of the Northern Wei dynasty, a husband and wife should pay one roll of silk and two bushels of grain as the direct tax, and this amount was the standard. Every four unmarried citizens above thirteen years of age, every eight slaves, when the male slaves could cultivate land or the female slaves could do spinning, and every twenty cultivating oxen were required to pay this amount. Probably the law-maker thought that since slaves and oxen paid a tax they should have the right to receive land.

The law of the Northern Wei dynasty was most important,[1] because it was the model of the Northern Ch'i, the Northern Chou, the Sui and the Tang dynasties.

3. *The Northern Ch'i Dynasty*

In the Northern Ch'i dynasty, the distribution of land took place in the tenth month of every year. The land was not allowed to be sold nor exchanged. In 1115 (564 A. D.), Wu Ch'êng Ti made a law providing that every man should receive land and pay taxes at eighteen years of age; should be enrolled as a soldier at twenty; should be freed from any forced labor at sixty; and at sixty-six, should return the land and should be exempted from taxes. Each man should receive eighty acres of opened land; each woman forty acres; and the slave was treated like the free citizen.

The limitation of slaves was: three hundred slaves for the princes of close relation; two hundred for the successive princes; one hundred and fifty for the successive princes from the second rank down, and the princes outside the imperial family; one hundred for the officials from the third

[1] *History of Wei*, ch. cx.

rank up, and the imperial clansmen; eighty for the officials from the seventh rank up; and sixty for the officials from the eighth rank down, and the common people. No land was given to the slaves who stood beyond this limit. For each ox, sixty acres were given; and the limit was four oxen.

Every man received twenty acres of mulberry land as perpetual property, which was not subject to the law of acceptation and return. When the land was not fitted to mulberry, flax land was given, to which the law of mulberry land was applied.[1]

(a) *Criticism of the Slavery of the Northern Dynasties*

There was slavery in the Northern Dynasties because the rulers of those dynasties came from the northern barbarian tribes. As they were accustomed to slavery, when they ruled a great part of China, they made it a positive institution. When they conquered a place, they took away both noblemen and commons, and made them slaves. Moreover, at that time, as the warfare continued, the condition of the people was very bad, so they would sell themselves as slaves. But, as the general civilization of the Northern Dynasties was lower than that of the Southern Dynasties, why should the Northern have shown greater concern for the equalization of land? It was because this system was established by Hsiao-wên Ti of the Northern Wei dynasty. During his reign (1022-1050, or 471-499 A. D.), when the power of the Wei dynasty was at its height, and there was a period of peace, he was especially fond of Confucianism, so that this system was formed. He moved his capital from northern China to central China at the old capital of the Chou and the Han dynasties; he forbade the wearing of barbarian costumes; and he changed nearly all the barbarian systems, and

[1] *History of Sui*, ch. xxiv.

adopted the Chinese civilization—he changed even the barbarian names for the Chinese names. Therefore, the equalization of land in the Northern Wei dynasty was the product of Confucianism, and the revival of the *tsing tien* system. Slavery was an institution of the Northern Dynasties, and was so firmly established that it was not changed even during the reign of Hsiao-wên Ti.

4. *The Northern Chou Dynasty*

In the Northern Chou dynasty, Wên Ti (1085-1107, or 534-556 A. D.) established the bureau of equality to deal with land. To a family of more than ten persons, five acres were given for their home; above seven, four acres, and above five, three acres. To a married man, one hundred and forty acres were distributed; to a single man, one hundred acres.[1] This law implied that a married woman had a real share of forty acres.

5. *The Sui Dynasty*

After the Northern Wei dynasty was divided up into the Northern Ch'i and the Northern Chou dynasties, the Northern Chou conquered the Northern Ch'i, and the Sui dynasty succeeded the Northern Chou. Therefore, their laws were similar. In distributing the opened land and the perpetual property, Sui conformed to the law of the Northern Ch'i. The people were also required to plant mulberries, elms and dates. On the average, every three citizens received one acre for their home and garden; and every five slaves received the same amount.

From the princes to the military commanders, all were given land for their perpetual property, its amount varying from forty acres to ten thousand acres. To the officials of the capital, the official land was given according to rank.

[1] *History of Sui*, ch. xxiv.

To those of the first rank was given the amount of five hundred acres; to those of the ninth rank, the last, one hundred acres; the difference between any higher rank and its next was fifty acres.[1]

6. *The Tang Dynasty*

There was a golden age in the Tang dynasty, and it came from the equalization of land. In 1175 (624 A. D.), a law provided that to every man above eighteen years of age, one hundred acres of land was to be given; to an aged or sick man, forty acres; to a widow, thirty acres; if she was the head of her family, twenty acres more were given to her. All of them took 20 per cent of the number of acres as perpetual property, and 80 per cent as mouth-share. Mouth-share means the share of each person belonging to the government. In the perpetual property, a certain number of mulberries, elms, dates and other trees which were fitted to the land, were to be planted.

Where the land was sufficient to be distributed to the people, the town was called "thinly populated town;" and where the land was not sufficient, it was called "thickly populated town." In the thickly populated town, there was distributed only half the amount of land distributed in the thinly populated town; if its land was cultivated every other year, double portions were given (100 acres). In the thinly populated town, if its land was cultivated every fourth year, it was given not at the rate of double portions—that is, if it should be given in double portions, it would be four hundred acres for a man; because it seemed too much, no double portions were given; but, if the law was so, those who received such poor land were unjustly treated. The artisans and merchants, in the thinly populated town, received half as much as the share of a farmer; in the thickly populated town, they received nothing.

[1] *History of Sui*, ch. xxiv.

Those people who moved to another town, or who were so poor that they could not even pay for their funerals, were allowed to sell their perpetual property. Those people who moved from the thickly populated town to the thinly populated one, were allowed to sell even their mouth-share. But after they had sold their land, nothing was given to them again. When the land-owner died, his land was taken by the government and given to those having no land.

In the tenth month of every year, the distribution of land took place, the government either taking it back or giving it out. The land was first distributed to the poor and those who paid taxes and served the public labor. If a town had more land than it needed for distribution, the surplus was given to neighboring towns; if such was the case in a district, it was given to the neighboring districts; if in a province, it was given to neighboring provinces.[1]

(a) *Criticism of the Law of the Tang Dynasty*

The chief defect of the law of the Tang dynasty was that it allowed the people to sell the land—both the perpetual property and also the mouth-share. Because the people were allowed to sell the land, there was no way to prevent the inequality of wealth. Hence, the rich bought up the land, and this system lasted only about one hundred years.

About 1201-1206 A. K. (650-655 A. D.), Tang Kao Tsung forbade the people to sell the perpetual property and the mouth-share; and later, he decreed that the buyer of land should return it to the owner, and that he should be fined. But, during the reign of Tang Hsüan Tsung (1264-1306, or 713-755 A. D.), land was monopolized by the rich. Since that time, all the lands of China have been almost entirely held by private owners. The *tsing tien* system never has been revived again.[2]

[1] *New History of Tang*, ch. li.

[2] Tables of land distribution are found on the next three pages.

TABLE SHOWING SYSTEMS OF LAND-DISTRIBUTION UNDER SIX DYNASTIES

Kinds of Land		People Classified by Ages	Citizens[1]	People Classified by Condition	Slaves[1]	Ox[3]	Dynasties[2]					
							Tsin	Northern Wei	Northern Chi	Northern Chou	Sui	Tang
Subject to Reversion	Regular Land	Regular Adults	Man				120	40	80	100	80	80
			Woman				50	20	40	Man W. Wife 140	40	
		Secondary Adults	Man				95					
			Woman				30					
				Sick Man				20				32
				Sick Woman				10				
				Widow				20				24
				Widow as head of Family								40
					Man			40	80			
					Woman			20	40			
						Ox		30	60			
	Flax Land		Man					10				
			Woman					5				
					Man			10				
					Woman			5				
Held in Perpetuity	Mulberry Land		Man					20	20		20	20
				Sick Man								8
				Widow								6
				Widow as head of Family								10
	Home[4]		3					1			1	
					5			1			1	
			5-6							3		
			7-9							4		
			10-							5		

[1] The figures under the column of citizens and that of slaves indicate the number of citizens and slaves.

[2] The remaining figures under the column of dynasties indicate the number of acres distributed among the people.

[3] Under the column of ox, the land was given for an ox.

[4] For their homes, the number of persons was counted not individually, but collectively.

TABLE OF AGE-LIMITS OF LAND-HOLDING

Age-classification	Dynasties[1]					
	Tsin	Northern Wei	Northern Ch'i	Northern Chou	Sui	Tang
Regular adult[2]	16–60	15	18	18	18	18
Secondary adult.	13–15 61–65					
Old[2]	66–	[3]	66	65	60	60
Young	1–12					

VI. OPINIONS ON THE TSING TIEN SYSTEM

Since the *tsing tien* system was established by the celebrated emperors of the ancients, and its principles were worked out by Confucius, it has dominated the thoughts of scholars generation after generation. As the limitation policy of Tung Chung-shu and Shih Tan has been stated above, we shall study the most prominent thoughts of other Confucians.

1. *Hsun Yüeh*

During the Han dynasty, the landlords took half of the product of land as rent. Therefore Hsun Yüeh (699-760, or 148-209 A. D.) condemned the landlords as being more tyrannical than the Ch'in dynasty. He was not, however, in favor of the immediate abolition of land-ownership, because he thought that there would be great confusion rising

[1] The figures indicate the years of age. Except under the Tsin dynasty, the ages referred to men only.

[2] At the age of "regular adult", the people received the land; and at the age of "old", they returned it.

[3] Under the Northern Wei dynasty, nothing was said about old age; but it would be not less than sixty, nor more than sixty-six.

POULATION UNDER THE SIX DYNASTIES ROUGHLY CORRESPONDING WITH THE RESPECTIVE PERIODS OF LAND-DISTRIBUTION

Confucian[1] Era	Christian Era	Number of Population Under the Six Dynasties[2]					
		Tsin	Northern Wei	Northern Ch'i	Northern Chou	Sui	Tang
831	280	16,163,863					
1036	485		32,327,726				
1115	564			206,880			
1131	580				9,009,604		
1140	589					11,009,604	
1165	624						15,000,000 (about)

from the discontent of the landlords, and that the *tsing tien* sytem never could be carried out by such a measure.

His opinion is that the *tsing tien* system should not be established when population is dense, because the land is in the hands of the rich; and that it should be established only when population is small and there is much land.

His conclusion is still a limitation policy; but he makes his point more clear that the land should be neither sold nor purchased. He says:

As we cannot entirely revive the *tsing tien* system, there should

[1] At the dates given in this table, the land distributions took place. But 1131 is an exception, because the land of the Northern Chou dynasty was distributed by Wên Ti (1085-1107).

[2] The dynasties of Tsin, Sui and Tang ruled the whole empire of China. The Northern Wei ruled only the northern part of China; and the Northern Ch'i and Chou respectively took a division of the whole domain of Wei. Referring to these dates, Wei was at its best time; Tsin, Sui and Tang were at their beginning, just passing the period of war; and Ch'i and Chou were during the period of war.

be a limitation on the ownership of land according to the number of individuals. Everyone may cultivate land, but he is not allowed to sell or buy it. This method will enrich the poor and the weak, prevent the rich from monopolizing the land, and lay the foundation for realizing the whole system of *tsing tien*. Is it not a good thing?

2. *Su Hsun*

As Su Hsun (1560-1617, or 1009-1066 A. D.) was a great writer, he condemned the landlords very strongly. He said:

After the *tsing tien* system has been destroyed, the land is not owned by the cultivators, and the land-owners do not cultivate the land themselves. The land of the cultivators depends upon the rich. In a rich family, the land-owner has a great extent of land, and employs journeymen for the different parts of its cultivation. He whips them and enslaves them, treating them like actual slaves. He easily sits down and looks around for the issue of his direction; while among his employees, weeding the field for him in summer, and reaping the crop for him in autumn, none of them disobeys his regulations and takes a diversion. But, among the products of the land, the land-owner himself gets half, and the cultivators all together get the other half. There is only one land-owner, but there are ten cultivators. Therefore, the land-owner accumulates one-half of the land-products day after day, and grows richer and richer, stronger and stronger; the cultivators consume the other half day after day, and fall into poverty and starving without appeal.

Such a condemnation of the landlords suggests the condemnation passed by the socialists upon capitalists. In fact, the separation between land-owner and land-cultivator is the great evil growing out of the destruction of the *tsing tien* system.

Su Hsun, however, did not approve of the policy of re-

establishing *tsing tien*. His argument is based not on the fact that the land of the rich cannot be taken away, but on the fact that the *tsing tien* system itself is impossible of full realization. He said that even though the rich should offer their land to the public and petition for the *tsing tien* system, it never could be re-established. Then he described all the details of this system under the Chou dynasty, and said that, even though this system were thoroughly re-established through a period of several centuries, the people would all have died long before. His theory is more advanced than that of Hsun Yüeh, since he thought that the form of *tsing tien* is impossible.

But he approved of the limitation policy, and pointed out that the reason this policy had not been realized was because the government was afraid that the rich would not give up their land which was beyond the limit prescribed. When he criticised the law of Han Ai Ti,[1] he said that the limit of this law, which permitted one man to own three thousand acres, was too high, and that the days of grace, which were only three years, were too short. Such a short period for the enforcement of this law meant forcing the people to destroy their own property. It was not in accordance with human nature, and it was difficult of realization.

Then he drew his conclusion, that the limit of land-ownership should be small, and that the limit should not be applied to the present day, but simply to the future. It should not take away the land which exceeded the limit before the limit was established; but it should merely prevent people in the future from owning more than the limit. After a few generations, the descendants of the rich would either fall into poverty and diffuse to others their land, which had been

[1] See *supra*, p. 507.

more than the limit; or they would divide it up among themselves. Then the rich could not own too much land, and there would be plenty of it. The poor could easily get the land, and they would not be enslaved by others. Although this policy is not the system of *tsing tien,* it would reach the same results as *tsing tien.*

3. *Chu Hsi*

Chu Hsi agreed with the theory of Hsun Yüeh, and said that the land could not be taken away from the people. The only opportunity for the re-establishment of *tsing tien* is after a great revolutionary war. Under such a condition, when the population is gone, and the land belongs to the government, the land-distribution can be realized. In time of peace, it can never be done.

He was the first one who discarded the limitation policy. He said that it was absurd. In general, at the beginning, it would be effective; but after three or five years, it would have no force. At the present even though the limitation of land-ownership might be fixed, year after year it would be only a dead letter. Then he gave his opinion, that if the *tsing tien* system could be realized, we should realize it; but if it could not be realized, we should leave the present institution untouched. The theory of limitation, according to him, was only a joke.

4. *Yeh Shih*

Yeh Shih was the first one who thought that the *tsing tien* system is not useful in modern times, and that it is not the basis of a good government. He said that even if the lands of the whole empire should belong to the government, and Wên Wang, Wu Wang and the Duke of Chou should rule again in the empire, there is no need of *tsing tien,* because its numerous and subtle rules cannot be carried out in modern times. The most important point he brought

out is the relation between feudalism and the *tsing tien* system. From the reign of Huang Ti to the Chou dynasty, the emperor governed only the imperial state, and the feudal princes also governed only their own states by hereditary right. Hence, the *tsing tien* system prevailed over the whole empire. But, in modern times, the whole empire is under a single government; although there are many officials, they all belong to the emperor, and the term of their office is not certain. Who shall be set to work for the formation of *tsing tien?* Even if the officials should work it out, it would require a long time—at least more than ten years. In the interval, how could the whole empire suspend the cultivation of the land? Indeed, as the feudal system has disappeared, it is impossible for the *tsing tien* system to remain alone.

Then he contributed a new idea, and looked for the solution of economic problems beyond the *tsing tien* system. He said that even under the *tsing tien* system, the amount of products was not different from that of modern times. Moreover, the use of great dikes and long banks, storing water from the mountains, and opening it for the need of irrigation, is a simpler and more convenient method; it costs a smaller amount of labor, but gives greater use. This shows that he had a dynamic mind, and was not satisfied with the form of *tsing tien.* Then he said that if the government of modern times were not inferior to that of the Three Dynasties, it would make the people support themselves through agriculture, and there would be no difference between the modern and the ancient. The reason why modern times are inferior to the Three Dynasties is not because the land is not divided into different *tsing,* but because poverty among the people cannot be abolished.

His conclusion looks not backward, but forward. Applying wisdom according to the times, and establishing

law in harmony with the actual world—this is his main point. He discarded entirely the system of *tsing tien,* and emphasized the importance of legislation for the needs of the time. He said:

> If the government will enact social legislation, ten years later the people will be neither too rich, nor too poor; encroachment by the wealthy will cease through its own nature; and the whole empire will get quickly the benefit of production;—this is the most important work that the emperor and the officials should hasten to do.

5. *Ma Tuan-lin*

The theory of Ma Tuan-lin is like that of Yeh Shih, emphasizing also the relation between feudalism and the *tsing tien* system. In ancient times, the feudal estate was small, and its people were few; hence this system was easily established. He says that it would be the same whether the ancient feudal princes distributed one hundred acres to each man or the modern landlords give their tenants the land of their ancestors. But in modern times, territory is extensive, and population is large; the governors take the place of feudal princes, and none can keep the office for his son; under such a condition, the *tsing tien* system never can exist. Therefore, under the Tsin, the Northern Wei, the Northern Ch'i, the Northern Chou, the Sui and the Tang dynasties, although the system of land-distribution had been realized, it did not last very long.[1]

VII. CONCLUSION

There is no doubt that the *tsing tien* system has passed away never to be revived. From the date of land-equalization by Wei Hsiao-wên to the first year of Tang Hsüan Tsung is two hundred twenty-eight years (1036-1264, or

[1] *General Research,* ch. i.

485-713 A. D.). But from the first year of Huang Ti to the date of destruction of *tsing tien* by Shang Yang is two thousand three hundred forty-eight years (2147 B. K.-202 A. K. or 2698-350 B. C.). The length of these periods shows the difference between the ancient and the medieval times. Because the ancient times were feudal, the *tsing tien* system lasted for thousands of years; and because the medieval times were under absolute monarchy, the system of equalization of land, which was not the exact system of *tsing tien*, did not continue ofr three hundred years. The fact is that the *tsing tien* system cannot exist without the feudal system.

Confucius was not in favor of feudalism. But, as the *tsing tien* system was bound up with feudalism, why was Confucius in favor of *tsing tien?* Because feudalism created political inequality, he hated feudalism; and because the *tsing tien* system created economic equality, he loved it. His idea was based entirely on the principle of equality. Moreover, as he lived in the feudal stage and so could not do away immediately with the feudal system, he was obliged to give his theory for the better condition of the people according to his stage. In his time, when the feudal estate grew up as a great nation, and the *tsing tien* system was decaying, the land was taxed at a higher rate than that of one-tenth of its product; the people were cruelly employed for military purposes at improper seasons; the forced labor took much more than three days; and the *tsing tien* system itself in its decay served to make confusion and inequality among the people. In a word, it was a transitional stage. Under such a condition, why should Confucius not advocate the *tsing tien* system? According to this system, not only could the people not own more land than their neighbors, but also the feudal lords could not tax the people more and make them work more. Indeed, it was a protection for the people against the feudal lords, and a remedy for the evils of the feudal stage.

Whenever there is a decay of any system, there must be confusion and trouble. During the decay of the *tsing tien* system, when Shang Yang saw it, he destroyed it entirely. It was a destructive policy. Shang Yang was condemned by many Confucians, but he was a great statesman. He invited foreigners to cultivate the land, and gave them private land-ownership, in order to send the natives abroad to engage in war. He cared more for the glory of the state than for the betterment of the people. His economic reforms were not for economic but for military reasons. The results were that the state got an immediate political advantage, but the people lost the economic equality based on land-ownership.

Mencius living at the same time with Shang Yang, when he saw the *tsing tien* system, wanted to make it as perfect as possible. It was a constructive policy. Mencius cared for the betterment of the people, and not for military glory. His economic reforms were for economic reasons, for the intellectual and moral education of the people, but not for the sake of war.

However, Mencius was also a great statesman. He thought that, if the *tsing tien* system were wisely established, it would conquer the whole empire. His theory is that the people are the most important element of the state; hence, if any prince could win the heart of the people in the neighboring countries, he would win those states. It seems impracticable. But, in his time, the princes took the people away in the agricultural seasons to make them engage in war, and caused hunger and loss to their families, and consequently the people had no love for their princes. Moreover, as the people of the whole Chinese world were practically one, and generally had no particular love for their own feudal state, it was easy for the virtuous ruler to unite the whole empire. If there were a truly virtuous

ruler, loving humanity for the whole empire, establishing the *tsing tien* system as Mencius said, and making the foreign people love him as his own people, he would be sure that when he attacked his enemies, their people would welcome him, and he would become the only ruler of the whole empire. This theory should be called universalism, which means to conquer the world by virtue. It differs from the theory of Shang Yang, whose theory should be called imperialism, which means to conquer the world by force.[1] Unfortunately, the policy of Shang Yang was put into actual practice, and it was successful; but the policy of Mencius remains only a theory, because no prince made him a minister. This was an unfortunate thing.

The system of *tsing tien* was good not because the land was divided into different *tsing*, but because its principles were based on equality. When we say that a book is good, we refer not to its binding, but to the work of the author. When Su Hsun and Yeh Shih argued about the form of *tsing tien*, Su thought that it was impossible, and Yeh thought that it was also unnecessary. Both were right. But, when we think about this system, we should consider, not its form, but its principles.

Superficially, the *tsing tien* system seems only an agrarianism; but this is not true. The word agrarianism might be applied to the system of equalization of land under the later six dynasties; but it cannot be applied to the *tsing tien* system itself. According to the theory of Confucius, the *tsing tien* system is the basis of everything, and is not merely a distribution of land. The essential ideas of this system are that everyone should get an equal share and an

[1] Universalism is the true sense of the Chinese word "king," and imperialism is that of "chieftain." See *Classics*, vol. ii, pp. 196-7. See also *ibid.*, pp. 134-7, 145-9, 181-5, 271-4, 300-301, 438-440, *etc.*

equal opportunity for the enjoyment of economic life, and also of social, political, intellectual and moral life.

In many of its essential ideas, the *tsing tien* system is similar to modern socialism. The two have the same object of equalizing the wealth of the whole society. Of course, by the changes of methods and organizations, the modern industrial stage must differ from the ancient agricultural stage. In ancient times, land was the most important form of wealth. Therefore, when land was equally distributed, the wealth of the people was practically equal. Under the *tsing tien* system, the people did not own even their houses, and their whole economic life was controlled by the state. It was an extreme socialism, or state socialism. In modern times, passing from the agricultural stage to the industrial stage, the land is not so important as before. Even if the land could be equally distributed or nationalized, the wealth of the people would still be unequal, because besides the land, there are many other capital goods. Therefore, modern socialism has more difficulties to overcome than that of the ancients. But the essential ideas of modern socialism are not different from those of the *tsing tien* system. By the *tsing tien* system, everyone got the whole of what he produced, because there was no landlord. When Su Hsun condemned the landlord, it was because he took half of the product from the cultivators. It is the same argument as that of the socialist, who would allow no capitalist to take half the product of the laborer. In a word, the *tsing tien* system and socialism both aim at equality of wealth, and at allowing the producers to get all that they produce.

However, the Chinese people have been a moderate people, and they never go to extremes. When the scholars thought about the *tsing tien* system, although they hated the landlord, they never thought that his land should

be taken away by confiscation as in the theory of Henry George. Throughout the whole history of China, Wang Mang was the only one who nationalized the land by a policy of confiscation. However, even he did not touch those who owned no more than one *tsing*. If a family had only one hundred acres, it was saved from confiscation. Moreover, after three years, he abolished the law of land confiscation. As Wang Mang was condemned by the Confucians, no one thought thas his confiscation policy was right. Therefore, the land of China will probably remain in the hands of private owners forever, unless there shall be a new form of socialism.

CHAPTER XXVII

Monopoly

I. CONDEMNATION OF MONOPOLY

Confucius hated monopoly; but monopoly was condemned before the time of Confucius. In 298 B. K. (849 B. C.), when Chou Li Wang loved gain and was going to employ Duke Yung, Jui Liang-fu gave him a warning as follows:

> Profit is the product of all things, and the fruit of heaven and earth. If one monopolizes it, he will cause much hatred. Since all people are getting profit from heaven and earth and all things, why should it be monopolized? . . . Even when one of the common people makes monopoly, he should be called a robber. If your Majesty practices it, there will be very few people who come to you.

Li Wang did not heed this admonition, and employed Duke Yung as minister. The result was that he was banished by the people.[1]

The theory of Jui Liang-fu is harmonious with that of Confucius. It will be convenient to treat Confucius' theory in accordance with modern categories, and we may classify monopoly first into two grand divisions, private and public. We may classify public monopoly as fiscal and social; private monopoly as personal, legal, natural, and business. Let us consider them in this order.

[1] *Narratives of Nations,* bk. i.

II. PUBLIC MONOPOLIES.

By public monopoly, we mean monopoly by the public at large, not by the ruler of any government. The ruler himself not only should establish no monopoly, but should make no profit at all. According to the principles of Confucius, if public monopoly is called for, in order to regulate production, distribution, or consumption, it would be approved. For example, the nationalization of land and the control of natural resources are principles of his. Judging from his ideas, all natural monopolies, such as wagon-roads, streets, canals, docks, bridges, ferries, waterways, harbors, lighthouses, railways, telegraphs, telephones, the postoffice, electric lighting, waterworks, gasworks, *etc.*, should be public monopolies, either municipal, or national, or even universal.

If the public monopolizes a thing simply for fiscal reasons, however, Confucius would not approve it. The government monopolies of salt and iron, originated by Kuan Tzŭ, would not conform to the ideal of Confucius, because prices are thereby raised. In short, public monopoly for social reasons is good, but public monopoly for fiscal reasons is not.

As to ordinary business, Confucius thinks that the state should control prices, but should not monopolize the whole market. So far as there is no natural monopoly, and competition is possible and desirable, Confucius will not let the state establish monopoly. Although the state should be the regulator of prices, such action is not monopoly, but simply helping to free competition and destroy private monopoly. These are the general principles of Confucius in regard to public monopoly.

III. PRIVATE MONOPOLIES

1. *Personal Monopolies*

Confucius opposes private monopoly, with few exceptions. Take personal monopoly first. Confucius is very glad, indeed, to give special honor and wealth to men who possess extraordinary virtue or ability. Therefore, honoring the virtuous and employing the able, and putting the distinguished men in high positions, is a principle of Confucius. But such a temporary personal monopoly is not for the sake of the individuals, but for that of society at large. Confucius says: "Employ the upright and put aside all the crooked; this way can make the crooked upright."[1] Therefore, to grant rewards to the individuals who hold personal monopoly is not only doing them justice, but also giving all others inspiration. Even personal monopoly, however, Confucius does not let alone, but he makes the people acquire it by education. Hence the system of universal free education arises, and the power of personal monopoly is diminished by popular education.

2. *Legal Monopolies*

As to legal monopoly, Confucius would not approve it. When Chung-shu Yu-he, an officer of Wei, showed military ability (38 B. K.), Wei rewarded him with a city. He refused it, and asked for the right to use the suspended instruments of music disposed incompletely, and the saddle-girth and bridle-trappings. These things were legally used only by the prince of a state, but such a right was granted to him. When Confucius later heard of this, he said:

Alas! It would have been better to give him many cities. It is only peculiar articles of use, and names, which cannot be granted to others than those to whom they belong; to them a

[1] *Classics*, vol. i, p. 261.

ruler has particularly to attend. By the right use of names he secures the confidence of the people. By that confidence he preserves the articles distinctive of ranks. In those articles the ceremonial distinctions of rank are hid. By those ceremonial distinctions justice is practised. By justice, socal profit is produced. By social profit the people are equalized. Attention to these things is the condition of good government. If they be conceded where they ought not to be conceded, it is giving away the government to the recipients. When the government thus perishes, the state will follow it; it is not possible to arrest that issue.[1]

If, according to the principles of Confucius, even the right to use certain articles should not be granted, there is no reason why the government should grant legal monopoly. The legal right of establishing monopoly is included in the word "names" used by Confucius. It is a part of sovereign power, and should not be given to any private person. This is for the profit of the whole society and for the equality of the people.

In Chinese history, no legal monopoly has been given to private persons by the government, except in one instance. In 1837 (1286 A. D.), Yüan Shih Tsu granted the seals of paper money to Chang Hsüan and Chu Ts'ing, and let them make paper money, on account of their service in sea-transportation. When their wealth was equal to that of the state, the government killed them on some excuse, because it was afraid that they would be a danger to the state.[2] Legal monopoly is generally not good for society at large.

A limited legal monopoly, such as copyrights and patents, however, Confucius would approve. Since his philosophy is based on a justice that is practised by a system of rewards,

[1] *Classics,* vol. v, pt. i, p. 344.

[2] *Continuation of the General Research,* ch. ix.

he would grant a limited monopoly to the author or inventor, in order to reward him and to encourage others. But the Chinese did not develop such a monopoly. Hence the people had no encouragement for invention, and many inventions were lost. In old times, the people generally did not care to invent anything. Even the scholars who did invent things, did so, not for the sake of economic interest, but for the sake of curiosity, or to show their ability. Therefore their inventions died with them. In those times the people lived in an isolated way, communication and transportation were poor, and there were no newspapers and magazines, so that the people could not have known anything about new inventions had there been any. Moreover, even if they had known about them, how could they have understood the secret of the inventors and have duplicated them? Therefore, many old inventions are simply recorded in history, without producing any great effect, and many others, such as gunpowder, and the art of printing, are by unknown inventors. There were many causes which retarded Chinese invention, but the absence of a patent system was a very important one.

There arises a question—how did the ancients develop and preserve their inventions? Because they had a quasi-legal monopoly—the hereditary right of holding office in different sciences and arts. For each profession and each line of workmanship, there was a government office which was hereditarily held, even throughout different dynasties. Since their division of labor extended to details, and their specialization lasted for many generations, they would naturally invent new things or improve old methods. Even if it were not so, the old would scarcely have been lost, because the government was its preserver, even though the family should die out. Therefore, although the hereditary offices were a bad thing, they still produced some good effects.

Confucius, however, did not approve the inheritance of offices, and since the Han dynasty such a system has been destroyed. Because the people could not get legal monopoly, they resorted to secret monopoly,—that is, when they invented or discovered anything, they kept it secret, as a natural monopoly. Professor Friedrich Hirth says:

It is a feature of Chinese social life that specialities in art and workmanship are treated as the monopoly of certain families on which no outsider is allowed to trespass. Such was the case under the Han dynasty with certain patterns of silk brocade. Many trades, such as the superior lacquer industry in Foochow and the manufacture of bronze drums in Canton, have been family secrets; and these secrets are so well guarded that a branch of art may die out with the last scion of the family that created it, as in the case of the celebrated Foochow lacquer, the secret of which was lost during the T'ai-p'ing rebellion.[1]

Such a secret monopoly was not legally protected, but existed simply because there was no competition on the same level. It had two evils: First, the time of monopolization was unlimited, lasting from generation to generation. Second, the secret was easily lost, because the family did not teach it to outsiders. It is much better to create legally a limited monopoly, and let the monopolist teach others. This is the way to develop secret monopoly to open monopoly, and society will benefit from it much more than the monopolist. Since 2449 (1898 A. D.) the tendency in China is in this direction.

In short, regarding legal monopoly, Confucius would give it for a limited time to those who contribute something to society, but not to those who are simply favorites of the court.

[1] *The Ancient History of China*, p. 117.

3. *Natural Monopolies*

As to natural monopoly, Confucius positively does not allow any private person to hold it. According to the principles of the *Spring and Autumn*, the famous mountains and great meres are not conferred to the feudal princes. "Because they are the natural resources of heaven and earth, which are not produced by human power, they ought to be shared in common with all the people." [1] This principle is also set forth in the "Royal Regulations." [2] If such natural resources were conferred on the feudal princes, they would be their owners, and the people could not make use of them. Therefore, they are left as common property for all the people, and the princes are not allowed to hold such a natural monopoly. Since Confucius does not permit even the feudal princes to own the natural resources, how can any private person have the right to own them? Subject to this principle is the modern development of franchise monopolies, such as railways, waterworks, *etc.*

This principle is applied not only to local or national monopoly acquired by natural advantages, but also to international monopoly. Explaining this principle, the *General Discussion in the White Tiger Palace* says:

> It makes all the people share the advantages, and does not allow any single nation to monopolize them. The riches of mountains and forests, the advantages of water and rivers, should be commonly distributed over thousands of miles. It is for the equalization between those who have something and those who have nothing, and for the fill of insufficiency.[3]

Since Confucius takes the whole world as an economic unit,

[1] *Annotation of Kung-yang*, 16th year of Duke Huan.

[2] See *supra*, p. 347.

[3] Bk. iv.

he forbids not only private persons, but also individual nations, to monopolize the natural advantages. Indeed, if there is any natural monopoly affecting the whole world, it should belong to the government of the world-state. This is the basis of the free-trade doctrine of Confucius and that of his world-socialism.

During the Han dynasty, when Sang Hung-yang defended the government monopoly of salt and iron (471, or 81 B. C.), he referred to this principle, and said that the people should not be allowed to monopolize the natural resources.[1] When the Tsin dynasty (816, or 265 A. D.) and the Liang dynasty (1053, or 502 A. D.) distributed the feudal estates, the famous mountains and great meres were not conferred: and all the regions producing salt, iron, gold, silver, copper and tin, and bamboo-gardens, capital cities, public buildings and different parks were not included in any feudal estate.[2] These facts show the influence of Confucianism upon actual law.

4. *Business Monopolies*

Confucius does not permit private persons to have business monopolies, a principle which is thus indicated by Mencius:

In old times, the market-places were for the exchange of the articles which they had for those which they had not. There were simply some officers to keep order among them. It happened that there was a mean fellow, who looked out for a conspicuous mound, and got up upon it. Thence he looked right and left, to catch in his net the whole profit of the market. The people all thought his conduct mean, and therefore they

[1] The *Debate on the Government Monopoly of Salt and Iron*, bk. vi.

[2] *General Research*, chs. cclxxi-ii.

proceeded to lay a tax upon his business. The taxing of traders took its rise from this mean fellow.[1]

Confucius does not allow any monopoly profit. If there is any, a tax on such profit is necessary, in order to discourage the monopolist and to equalize the distribution of wealth.

For the prevention of business monopoly, there are two great principles, the exclusion of the ruling class from the economic field and the government control of demand and supply. We shall discuss them in the following chapters.

The Chinese hate business monopoly. According to the *Law Code of the Ts'ing Dynasty,* any business monopoly is forbidden. For example, people are not allowed to open a general company to control completely a branch of trade in order to prevent the merchants from going to other companies; nor to divide up territory within which no competitor can stand; nor to control transportation either by shipper or by carrier. He who monopolizes the market either as a seller or as a buyer shall be punished with eighty blows of the long stick. If any has made profit through such monopolistic schemes, that profit shall be regarded as booty, and he shall be punished as a robber according to the amount of booty.[2]

As a result of the taxation system, however, there are some businesses mixed with the element of monopoly. They will be discussed under the subject of taxation.

[1] *Classics,* vol. ii, pp. 227-8. Hence the Chinese sometimes use the two words, conspicuous mound, for the word monopoly.

[2] Ch. xv.

CHAPTER XXVIII

Exclusion of the Ruling Class from the Economic Field

I. General Principles

In modern times the socialist advocates modern socialism against capitalism for the laborers. In ancient times the Confucians advocated Confucian socialism against feudalism for the farmers. These two doctrines are the same in principle, because in the ancient days feudal lords were at the same time capitalists, and the farmers were themselves laborers. But, when we compare these two doctrines, Confucianism seems to go further than modern socialism. There would be no capitalist under either. Under Confucianism, the important means of production should belong to the public, and the ruling class should get only their salary. When the official class got their salary, however, they could accumulate it and make themselves capitalists. The modern socialist does not exclude salaried officials from the gainful occupations, but the Confucians excluded them entirely. We may say that the difference between the two is due to the fact that in ancient times aristocracy allowed the officials to hold their office by hereditary right, and that in modern times it is not so; hence the Confucians necessarily excluded them. This is true, and it would be the original idea of Confucius. But Confucian socialism means still more. In the first place, Confucianism does not allow aristocracy; no one should hold office by hereditary right. In the second place, even after the abolition of feudalism and aristocracy, and even for those temporary offi-

cials, this principle of exclusion was applied. From this it is clear that Confucian socialism goes further than modern socialism.

At the time of Confucius, feudalism prevailed over the whole empire. The feudal princes and the noble families occupied all the lands, so that they were the landlords. They owned also a great number of cattle and many other capital goods, so that they were the capitalists. There was small room, indeed, left for the common people. Moreover, they could oppress the people as they would, and the condition of the people must have been very bad. As they had all the political powers and social dignities, if they should become competitors with the people in the economic field, they would take all the profits, and the people could have no foothold to compete with them. Then the people would be reduced to the condition of actual slavery. Therefore, on the one hand, Confucius concentrated the political power in an absolute monarchy, and denied the hereditary right of office-holding, in order to destroy feudalism and to transform aristocracy into democracy. On the other, he excluded all officials from the economic field, in order to give full opportunity to the people.

The general law is as follows: "The emperor ought not to talk about whether he has wealth or not; the feudal princes ought not to talk about whether they have more wealth or less; and all the families which enjoy a public salary ought not to compete with the people for profit." [1] Promoting the character of the ruling class to a higher ethical standard, taking away their favorable condition and powerful competition from the economic field, and giving a great chance to all common people,—these are the objects of this principle. It has been a great scheme of social reform, and its tendency has been toward economic equality.

[1] *History of Latter Han*, ch. lxxiii.

1. *Exclusion of the Emperor*

The principle of exclusion should be first applied to the rulers,—the emperor and the feudal princes. In the *Spring and Autumn*, there is a law stating that the emperor should not demand anything pecuniary from the feudal princes. When an emperor asked the prince for anything, he was condemned by Confucius. The demand for money was condemned most of all. Since the emperor had the taxes from the imperial state and the tribute from the feudal states, he should be a most moderate man and an example to the whole empire. If the emperor should care for money, it would make the princes avaricious, the great officials miserly, and the students and common people sly. Therefore, the *Record of Rites* says: "The emperor plants only gourds and flowering plants, not such things as might be stored." [1]

2. *Exclusion of the Feudal Princes*

In the *Spring and Autumn*, there is a condemnation of the fishery of Duke Yin of Lu. The value of his fishes amounted to one hundred catties of gold, which was equal to one million of copper money in the Han dynasty. Ho Hsiu states that he should not leave the government and compete for profit with the people. To do so is a great shame, and not fitting to a ruler.

3. *Exclusion of All Salaried Officials*

According to Confucius, all the salaried officials should be excluded from the economic field. He says:

The superior man does not take all the profit, but leaves it for the people. It is said in the *Canon of Poetry:*

> "There shall be handfuls left on the ground,
> And here ears untouched,
> For the benefit of the widow."

[1] *Li Ki*, bk. ix, p. 433.

Hence, when a superior man is in office and enjoys its emoluments, he does not do farming.[1]

Leaving profit for the people is the fundamental idea of this principle. Its aim is to protect the weak against the strong. Therefore, when Confucius spoke of Tsang Wên-chung, a great official of Lu, he condemned him as wanting in virtue, because he made his concubines weave rush mats for sale.[2]

The "Great Learning" says: "He who keeps horses and a carriage does not look after fowls and pigs. The family which keeps stores of ice does not rear cattle or sheep."[3] The first sentence refers to the one who is beginning to be a great official; and the second, to the great official and minister. Indeed, none of the officials should do any business.

II. THE ESTABLISHMENT OF THESE PRINCIPLES.

1. *Example of Kung-yi Hsiu.*

The best example illustrating the exclusion of officials from gainful occupation is given by Kung-yi Hsiu. After taking the professorship of Lu, he became the prime minister of Duke Mu (145-176 A. K. or 407-376 B. C.). He was the first one who enacted the Confucian theory of exclusion as a legal law. Under his administration, the salaried officials were not allowed to compete for profit with the people. When some one gave him a fish, he declined. The giver said, "I have heard that you like fish. Why do you refuse my present of fish?" "Because I like fish, I do not accept it," answered the minister. "Now, as I am a minister, I am able to buy fish myself. If I should accept the fish and should lose my position, who will give me fish in the future? For this reason I do not accept it." From his

[1] *Li Ki*, bk. xxvii, p. 296.

[2] *Classics*, vol. v, pt. i, p. 234.

[3] *Classics*, vol. i, pp. 379-380.

statement, we may surmise that there was a law forbidding officials to accept anything from any person. It is stated: "He who has received one great thing is not allowed to take the small one." When Kung-yi Hsiu ate the edible mallow, he pulled it in his garden and threw it away. When he had seen his wife weave cloth, he burned the loom and divorced her. He said: "As I have received salary, why should I snatch, too, the profits of gardener and weaver?" [1] In the *Historical Record*, his words are put in this way: "How can the farmer and the working girl find a place to sell their commodities?" [2] The essential point is that the officials should get only their salary and leave the whole economic field free for the common people.

2. *Statement of Tung Chung-shu*

In 412 (140 B. C.), Tung Chung-shu gave to Han Wu Ti an answer that has become famous. In criticizing the social conditions of his time, he says:

Heaven has also the law of distribution. For example, those animals which are given upper front teeth have no horns; the bird, having wings, has only two legs. This means that those who have received great things are not allowed to take small ones. In ancient times, the salaried officials did not live by physical labor, and did not touch industrial occupations. This also shows that those who have received great things are not allowed to take small ones. It is the same idea as that of Heaven. If a man had received the great things and took the small ones too, even Heaven could not satisfy his covetousness—how could man satisfy him? This is the reason people suffer in poverty. A man whose personality is already honorable, and who has risen to high position, whose family, in addition, is already rich, who receives a large salary,

[1] Quoted by Tung Chung-shu, *History of Han*, ch. lvi.

[2] *Historical Record*, ch. cxix.

and then uses his powers of wealth and dignity to compete for profit with the people who are below him; how can the people compete with him? Therefore, he increases the number of his servants, keeps more cattle, extends his land and houses, accumulates all kinds of property, and saves the surplus. He pursues those things without an end, in order to oppress the people. Day after day, and month after month, the people are robbed by him, then they fall into great poverty. While the rich have luxury and superabundance, the poor are in grievous distress. If the public should not save the poor from distress and grievance, the people could have no pleasure in life. When the people have no pleasure in life, they do not escape even death; how can they escape from crime? This is the reason why punishments are numerous and criminals increase.

Therefore, the families of salaried officials should get only their salaries, and should not compete with the people in gainful occupations. Thus profits may be equally distributed to the people, and each family of them may have sufficient. This is the natural law of Heaven, and the principle of antiquity as well. The emperor should imitate it in his laws, and the officials should practise it in their conduct.

In conclusion, he quotes this interesting passage from the *Canon of Changes*: "Bearing on the back and riding in the carriage causes robbers to come." He explains that "riding in the carriage" refers to the position of the higher class, "bearing on the back" to the business of the lower class. If one occupies the position of an official, and takes up the business of the common people, calamity must ensue.[1] These statements of Tung Chung-shu have had great influence on Confucian socialism.

3. *Laws of Different Dynasties*

The exclusion of officials from all gain has been carried into actual law by many dynasties. During the Tsin

[1] *History of Han*, ch. lvi.

dynasty, after Wu Ti reunited the whole empire (831, or 280 A. D.), he decreed that the princes and dukes should regard their feudal estates as their families, and that they should not have lands and houses in the imperial capital as private property. The only two things each should have were the residence within the city and the pasture near the suburb. Then he made the following limitation: In the capital, the princes, the dukes, and the marquises were allowed to have one residence. If their residence was not in the city, but out of it, it was allowed to remain there. Near the capital, those who had a great feudal estate were allowed to have one thousand five hundred acres of suburban land; those of second estate, one thousand acres; and those of small estate, seven hundred acres.

There was also a limitation upon the ownership of land by officials. The amount of land was in accordance with their rank. To the first rank five thousand acres were given; to the second, four thousand five hundred acres; to the third, four thousand acres; to the fourth, three thousand five hundred acres; to the fifth, three thousand acres; to the sixth, two thousand five hundred acres; to the seventh, two thousand acres; to the eighth, fifteen hundred acres; and to the ninth, the last, one thousand acres. Moreover, their descendants had the hereditary right to hold the land, and the limit of time was also according to their rank. The longest hereditary right came down through nine generations, and the shortest through three generations.[1]

During the Tang dynasty, in 1175 (624 A. D.), a law was enacted that all the families which had received salaries were not allowed to compete for gain with the people.[2]

According to the *Law Code of the Ts'ing Dynasty*, all the officials are not allowed to buy land and houses in those

[1] *History of Tsin*, ch. xxvi.

[2] *Old History of Tang*, ch. xlviii.

places where they hold their office. The transgressor shall be beaten with a small stick fifty times. He shall be deprived of his office, and his land or house shall be confiscated.[1]

If officials lend money at interest, or hold property on mortgage, although conforming to the legal rate of interest, they shall be punished with eighty blows with the long stick. If they take interest beyond the legal rate, such interest shall be considered as a bribe, and they shall be punished accordingly.[2]

If the officials buy salt from the government and sell it to the people for the sake of making profit, they shall be punished with one hundred blows of the long stick and banished to another part of the same province for three years. Their salt shall be confiscated.[3] All these laws keep the officials from competing with the people.

III. CONCLUSION

Hu Yin (died 1702, or 1151 A. D.) gives a criticism of this exclusion of officials. He says:

This exclusion is a good institution, inspiring moderation in the officials. In ancient times the government employed men who were fitted to their position. Then they held their office without change, sometimes for life, and sometimes even to their descendants. Their salary was permanently given. . . . At that time, if they competed with the people for profit, they should have been blamed. In modern times, as the men are not carefully employed, their rise and downfall are uncertain. In the morning they may enjoy the grain of the imperial garner, but in the evening they may be obliged to eat at home. Since they may have parents, wives and children, if they are not superior men who can be self-contented in a poor position, how can they live without taking up gainful occupations? For

[1] Ch. ix. [2] Ch. xiv. [3] Ch. xiii.

example, Lu Huai-shên [died 1267, or 716 A. D.] was a minister of the Tang dynasty. But when he died, he had only a servant who sold himself for the expense of his funeral. What can the other officials whose position is lower than that of minister do?

According to reason, when the officials take their office, land should be given to them in accordance with their rank. During their employment, they have salaries in return for their work; even if they are dismissed, they have land by which to make their living. Only in the case of some great disgrace which cannot be excused will their land be taken back by the government. In this way the exclusion of the officials from gain may be practised, and the spirit of moderation will prevail.[1]

The argument of Hu Yin is very reasonable, and it holds true in modern times, because feudalism has died out. But this principle of excluding officials from gainful occupation has a great influence on Chinese economic life. In China's history there are very few officials who accumulated a great fortune in any way they could. Modesty and purity were the general spirit of the officials. As they did not compete with the common people for profits, the people had much more chance to compete among themselves, and enjoyed full freedom of economic activity without being in unfavorable competition with those who had added power. Very recently, public sentiment is beginning to depart from this principle. Owing to the international struggle with foreign countries, China unfortunately needs more men for the economic war. Formerly, it was not suitable for the officials to compete with the people at home, but to-day, everyone should compete with the foreigners abroad. In fact, in old times this principle was established for the object of equal distribution, and in the present day it is going to be renewed for the object of large production.

[1] *General Research,* ch. ii.

CHAPTER XXIX

Government Control of Demand and Supply

I. GENERAL PRINCIPLES

In economic society there are two sets of interests, those of producers and those of consumers. But nothing more markedly affects the interest of both sides at once than prices. Therefore, price is a great problem for society as a whole. According to the Confucian theory, the government should level prices by the adjustment of demand and supply, in order to guarantee the cost of the producer and satisfy the wants of the consumer. Its chief aim is to destroy all monopoly, so that the independent or small producer can be protected on the one side, and the consumer on the other. It prevents the middleman from making large profits, and gives the seller and buyer full gain. Originally this theory was purely for the benefit of the people and brought no gain to the budget of the government. In later times this theory became a financial scheme by which the government made a large profit. However, if this scheme is carried through successfully, it is a benefit to society, because it takes away profit from the great merchant only and lightens the taxation of everyone. On the principle that the ruling class should be excluded from the economic field, the conservative Confucians always opposed this scheme, because they said that the government should not compete with the people for profit. But we should distinguish two divisions in the budget of a government,—one part for the ruler himself, and the other for the state as a

whole. As to the ruler himself, he, of course, should be excluded from any gainful occupation and should not compete with the people. But as to the state as a whole, the collective representation of the people, it should be allowed to get its revenue in the most convenient way. If the state competes with a few great merchants and lessens the burden of the majority, it is a good plan for meeting the public expense. Moreover, if the administration is as good as that of Liu An (1267-1331, or 716-780 A. D.), these three things result: the state gets profit, the people constantly enjoy a reasonable price, and distribution is nearly equal. But such an administration is very difficult. Therefore, Wang Mang and Wang An-shih both failed. This theory is applied to all commodities; but as grain and money have very important problems which are treated independently, this chapter will be concerned with only the price of commodities in general.

When we discuss the theory of Confucianism, we must refer to the Confucian Bible. The *Canon of Changes* says: "The superior man diminishes where there is an excess, and increases where there is any deficit, in order to bring about a level according to the nature of things."[1] Excess and deficit here relate to relations between supply and demand. In the former case, supply should be diminished, and in the latter case, supply should be increased. Both cases may arise at different times; or at the same time but in different places; or at the same time, in the same place, but concerning different goods. It is the task of the superior man to adjust demand and supply so as to keep prices on a level.

In the *Canon of History* there is a passage saying, "To transport the commodities from where there was plenty to where there was nothing was to exchange the accumulated stores. In this way all the people got rice to eat and all

[1] *Yi King*, p. 286.

the states began to come under good rule." [1] This commercial policy was the deed of Yü. When there is plenty, the supply side is sufficient; but when there is nothing, the demand side is unsatisfied. Then transportation for both sides is necessary. For instance, in the mountain region there is a store of timber, and at the seaboard there is a store of fish and salt; they need to exchange with each other. No one can be only a getter from others; he must be also a giver to others. Hence the results of commerce are not only that the people get sufficient food, but also that all the states have a good feeling toward one another. This is the theory of commerce.

According to the *Official System of Chou*, one of the functions of the government bank is to control the demand and supply of commodities. When commodities cannot be sold because supply exceeds demand, the bank buys them, at their market price. When the demand for them rises and exceeds the supply, it sells them at their original price, which has been carefully written on a label of each commodity. In the first case, the producer is benefited; in the second, the consumer; but the government itself does not make money out of the transaction. The buyers must get a certificate from their magistrate before the commodities are sold to them. This excludes those merchants who may wish to buy cheap goods from the government and sell them again for profit. Generally, after the price has fallen, it rises again; hence, the government should supply the needs of the common people only.[2]

There is a fragment of the *Doctrine of Music* which was preserved by Liu Tê (died in 422, or 130 B. C.), that says:

The emperor selects the scholars from the feudal princes in

[1] *Classics*, vol. iii, pt. i, p. 78.

[2] Ch. xv.

order to establish the "five equalizations." Therefore, the markets have uniform prices, and the four classes of people [the students, farmers, artisans and merchants] are equal. The strong cannot oppress the weak and the rich cannot take advantage of the poor. Then public finances will be more than sufficient, and benefit will come to the small people.[1]

"Five equalizations" is the title of an office whose function is to equalize market prices. According to Ma Tuan-lin, there was such an office in ancient times. Although we cannot find out its history, we know that it is at least a theory of Confucianism.

II. SANG HUNG-YANG

1. *Systems of the Equal Transportation and the Level Standard*

For the practice of controlling demand and supply, in the Han dynasty, there was a marvelous financier named Sang Hung-yang (421-472, or 131-80 B. C.), son of a merchant. At the age of thirteen (433) he became a favorite of the emperor on account of his economic genius. In 436 he became the second secretary of the treasury, and he began to practise the "equal transportation" scheme. In 442 he was made secretary of the treasury to control the government monopoly of salt and iron. He saw that, owing to the independent and competitive purchases of the officials, the price was raised; and that by the old way of sending products as the taxes to the capital from each place, the value of the goods sometimes did not cover even the cost of wages. Then he proposed that several dozens of subordinate officers of the treasury department should be appointed, and that they should be definitely charged with the affairs of a given state or province. Each of them should

[1] *History of Han*, ch. xxiv, (commentary).

appoint subordinate officers in each district to establish the office of "equal transportation." Then, even in remote regions, the people should be required to pay their taxes in the form of merchandise which was formerly exchanged by the merchants; and the merchandise should be exchanged among the officers themselves. All the merchandise offered as taxes should be the staple products of the locality, so that their price would be reasonable. Then the government should sell them in other places, and get a profit. It would save the cost of transportation of the localities, and give the remote regions convenience, equal to their neighborhood.

In the capital, the office of "level standard" should be established to control all the transportation of the whole empire. All the articles needed by the officials should be supplied by the treasury department. By all the officers of the treasury department, the commodities of the whole empire should be controlled. When their price was high, they should be sold, and when it was low, they should be bought. In this way, rich merchants could not make great profits, and prices would return to the normal level. Because the price would be artificially kept down, this office should be called "level standard." His proposal was approved by Han Wu Ti, and carried into practice. During the reign of Wu Ti the expense of the government was extraordinarily great. But by the schemes of equal transportation and level standard, the public finances sufficed without increasing taxes.[1]

[1] The policy of controlling demand and supply by the state was worked out very successfully by Kuan Tzŭ (died 93 B. K. or 644 B. C.). His work contains several books dealing with this question, but he uses the terms "lightness and heaviness" instead of demand and supply. Lightness means supply over demand, and heaviness means demand over supply. His policy may be summed up in a few words: the government should control the ratio between money and commodities by issuing and redeeming money, in order to level rich and poor, and to make the state the dominant power in economic life. His theory is like state socialism, and he was the real precursor of Sang-Hung-yang.

It would be hardly accurate to say that Sang Hung-yang was a strict Confucian, but as he was born (421) after Confucianism had been made a state religion (412), he was a Confucian in the broad sense.[1] In 471 (81 B. C.), there was a debate between him and the representatives of the people on the abolition of equal transportation. His opponents were good scholars and strict Confucians. Their argument was based on the ethical teaching that the government should not take up commercial business, and they were in favor of agriculture rather than industry. But Confucianism is a great philosophy which gives its principles to both sides, so that Sang Hung-yang based his argument also on Confucianism. His statement was in favor of industry, but not, however, against agriculture. He said that where there is plenty of rich land but not plenty of food, the improvement of tools is needed; and where there is a great amount of natural resources but not a great amount of wealth, commerce and industry are needed. All the staple commodities of different places are waiting for the manufacture of artisans, and for the exchange of merchants. According to the ancient sages, agriculture is not the only subject of political economy. Therefore, the representatives did not win the debate and this system was not abolished.

Sang Hung-yang's system encountered much popular opposition, but it was justifiable. From the social aspect, it took away profits from rich merchants and helped the poor in time of need. From the economic aspect, it saved the expense of sending goods from each place to the capital and made great revenue. Moreover at that time there was a military struggle for national expansion so that the revenue from the system of equal transportation was neces-

[1] Huan K'uan calls him a widely and thoroughly educated man. His son, Sang Ching, was a Confucian scholar.

sary. If we judge Sang Hung-yang from the viewpoint of nationalism, it was he who enabled Han Wu Ti financially to expand the Chinese empire. His services to the nation as a whole were great and lasting. He was the first one to practise state socialism successfully on a gigantic scale;[1] but his system died out after his death, because no one was able to administer such a plan.

III. WANG MANG

1. *System of the Five Equalizations*

From the phrase, "five equalizations," in the *Doctrine of Music*, Wang Mang established an office called "five equalizations." Its purpose was to equalize the mass of the people and do away with monopoly. In 561 (10 A. D.), in the capital, three bureaux were opened; and in each of the five chief cities there was one bureau. In each bureau there were five officers in the trade department and one officer in the banking department. During the second month of each season the controller of markets in each bureau fixed the prices for the three grades of each commodity. Despite differences in other places, each bureau used its own fixed prices as the "market level." When the people could not sell their commodities, after the officers examined the facts, the commodities were bought by the bureau at the cost price, in order to prevent loss to the producers. When the price was higher than the level by one penny, the bureau sold its commodities at the level price. When the price was lower than the level, it left the people to exchange commodities among themselves, in order to prevent speculators from storing the commodities. But Wang Mang did not succeed.[2]

[1] *Historical Record*, ch. xxx; *History of Han*, ch. xxiv.

[2] *History of Han*, ch. xxiv.

IV. LIU AN

During the Tang dynasty, Liu An, commissioner of transportation, was the greatest financier. In his time there was a great rebellion (1306-1313, or 755-762 A. D.) The population was diminished over two-thirds. Many districts were occupied by military commanders who, being somewhat independent, and opposed to the central government, sometimes broke out in rebellious war. The government got only a small revenue; but with rebellions within the country, and barbarian wars on the boundary, it had to defray great expenditures. The happy outcome of this bad condition was due entirely to Liu An. Basing his operations on the system of level standard, he controlled the natural resources, drove out the great merchants, fixed the prices of commodities, and made great profit for the government. Without increasing taxation, he made revenue sufficient to meet expenditures. This was his part in the restoration of the Tang dynasty.

1. *His Administration of the Equal Transportation*

Liu An was a great statesman. He thought that taxation is based on social ability; hence, his financial policy began on the social side; love for the people was the first thing. Before his administration, magistrates had forced the rich to take charge of transportation and communication, and forced them to pay beyond the requirements of taxation. Then the people became brigands and pirates for over ten years. But Liu An began to use the government ships for transportation and to employ clerks for communication, and he abolished all unlawful imposts.

In different provinces he established local stations. All these stations established numerous postoffices and employed the best runners there at high wages. The prices and other circumstances of the four corners, even from a

great distance, were known to Liu An in not over four or five days. Hence he was able to determine the weight of all commodities and keep their prices in normal relation. Thus he made great profit for the government, and, in addition, the people were benefited, as the producer did not suffer from too low a price, or the consumer from one that was too high.

Liu An thought that a good government should show its love for its people not by bounty, but by the adjustment of their production. In normal years he bought commodities at the market price, and in bad years he sold them for the relief of the people. On an average, the commodities were annually increased one-tenth, and he wisely controlled them in accordance with the situations. He appointed officials in charge of the local stations. Every ten days and every month they reported the weather conditions of the different districts. When they saw signs of a bad year, they told him beforehand how much taxation should be exempted and in which month, and how many commodities should be sold. In due time, without waiting for the demand of the magistrate, he satisfied the wants of the people with the exact supply. Therefore, the people never actually fell into bad conditions and the population was increased. When Liu An was made commissioner of transportation (1311 A. K.), the number of families was less than two millions (1,933,-125), but in his last year (1331 A. K.) it was nearly four millions (3,805,076). However, the increase of population was under his administration only; under other administrations there was no increase. He increased the revenue also. In his first year the annual revenue was not more than four millions of strings, but in his last year it was more than ten millions.

It was argued that he should simply give commodities to the people instead of selling them at a cheap price. His

theory in reply was that prevention was better than cure. In free distribution, there would be two disadvantages. First, if the distribution was too small, it could not save their lives, or if it saved many, it would exhaust the revenue and bring about increase of taxation. Second, distribution was near to injustice. The officers would be corrupted, and the strong would get more than the weak; and this could not be prevented even by punishment by death. But in sale, there were two advantages. First, in the places where bad crops occurred, although the inhabitants were in want of food, they possessed other products. Selling the food supply at a low price to exchange their commodities, then transporting these commodities to places where the season was good, and selling them, or using them by the government, these schemes would make public finances sufficient. Second, it brought a great supply of food into the market, and let the people sell and transport it to a great extent. When the retailers came into the villages, those poor people who could not go to the market could indirectly get the benefit, and escape hunger. Moreover, following the system of "constantly normal granary," Liu An kept in storage a great amount of rice—in each prefecture the average storage of rice was three million bushels. Indeed, he was a great statesman, for the people as well as for the state.

The chief article from which Liu An got large revenue was salt. In his time, western China consumed the salt of the Shansi province, which was controlled by the treasury department; and eastern China consumed that of the sea, which was controlled by him. He thought that by salt, which is necessary to people, a large revenue could be obtained. At the places where salt was produced he created the officials of salt; and in all other places there were no such officials, because he thought that too many officials would trouble the people. According to the times, he gave

different orders to teach the people how to produce salt. As salt was a government monopoly, the officials bought salt from the people who produced it and sold it to the merchants, who were allowed to go anywhere. Formerly, the magistrates taxed the salt when the merchants transported it through their passes. Liu An abolished such a bad custom, and salt enjoyed free trade. Doing away with smuggling, he especially appointed able officials to the local stations without touching the magistrates.

He transported the government salt to those regions which were far away from the salt-producing places, and stored it up. When merchants did not come to those places, and the price of salt was high, he sold it at a low price. This scheme was called "constantly normal salt." The government made great profit, and the people did not suffer from a high price. When the price of salt at the capital was high, Liu An was ordered by the emperor to transport there thirty thousand bushels. It came from Yangchow (Kiangsu) to Sian (Shensi) in only forty days, and the public thought it miraculous.

In the first year of Liu An's administration (1311), the annual profit from salt amounted to six hundred thousand strings, but in his last year (1330) it was more than ten times this amount. In 1330, out of the total revenue of twelve million strings, the profit from salt was over six millions. The public finances were sufficient, but the people bore no burden. Comparing it with the salt of Shansi, the profit there was only about eight hundred thousand strings, and the price was also higher than that of the salt of the sea.

In the time of Liu An, the native products of the southern provinces which were offered as a sort of taxation were heavy, rough, cheap and defective. Liu An thought that even if they were transported to the capital, it could not cover the cost. Then he stored them up in the valley of

Yangtze, and exchanged them for copper, lead, fuel and charcoal. The annual coinage was more than one hundred thousand strings. This shows his economic policy. On the one hand, native products became more useful, and on the other, circulation of money was made sufficient.

His administration was remarkable, partly because of his own genius, and partly because of his choice of men. He selected several hundred of the best scholars to have charge of the business, because he said that scholars care for fame more than for money. Among his subordinates, even at a great distance, no one deceived him. After he died, these also became famous financiers for a period of twenty years. This shows the wisdom of Liu An.[1]

V. WANG AN-SHIH [2]

1. *Plan of Equal Transportation*

Under the Sung dynasty, in 1620 (1069 A. D.), Wang An-shih revived the system of equal transportation. It was proposed because, owing to the old custom, the officials of public finance did not know the relation between the central government and local conditions, and they were unable to fill the deficiency with the surplus. The amount of stipulated annual contribution of products by the provinces to the capital was fixed by rule. It was not allowed to be more than the fixed amount, even in a year of plenty, and when transportation was easy; nor could it be less, even in bad years and at a high price. In the latter case, the provinces contributed their commodities at a cost two-fold or five-fold the normal price; but when they reached the capital, they

[1] *New History of Tang,* ch. cxlix; *etc.*

[2] From this section and the following statements (pp. 589-94, 667, 673-6), the reader will see that the article "How Socialism Failed in China," written by General Homer Lea, published in *Van Norden's Magazine* (September and October, 1908), is incorrect.

perhaps realized only half of their value. This simply enabled the great capitalists and merchants to take advantage of the embarrassment of the government and people and to exercise arbitrary power in the markets. Now, the commissioner of transportation was charged with all the revenue of the six rich provinces; his function was to deal with the taxes of tea, salt, alum and liquor; and from him came the greater part of the public revenue. Hence he should be trusted with money and goods, and he should dispose of them according to the financial condition of the six provinces. Among all commodities which were purchased by the government, or were offered to the government as taxes and contribution, he should be allowed to make substitution and exchange. When their price in one place was high, let him get them from other places where their price was low. When their transportation was not convenient, let him exchange them in the neighborhood, instead of at a distance. He should be informed beforehand of the amount needed for the annual expenses of the central government; thus he might conveniently buy or hold or exchange the commodities, as circumstances demanded. In this way the public would control the demand and supply, in order to facilitate transportation, to reduce expense, to remove heavy taxes, and to relax the burden on the farmers. Then the public finances would suffice, and the wealth of the people would not be exhausted. This proposal was approved by the emperor, and the commissioner of transportation, named Hsieh Hsiang, was charged with the task of carrying into effect this system. The emperor granted him five million strings of cash and three million bushels of rice for the development of it, but the plan was a failure.

2. *System of Exchanges* [1]

In imitation of the system of level standard, Wang An-shih established the "exchange." It was first proposed by a man of the common people named Wei Chi-tsung. He said that the capital was the center of all commodities; but the market had no regular price, and whether things were dear or cheap depended only upon speculation. A good government should be able to take something from the rich and give it to the poor. Now, as rich men and great families, taking advantage of the emergencies of the people, made large profits, doubling their capital many times, wealth was accumulated by a few, and public finances were also made insufficient. Money should be given to the commodity-taxing bureau to establish a constantly normal exchange. For this undertaking, financial officers should be selected; and to carry out the business, good merchants should be employed. They should know the market price of all commodities. When things were cheap, the exchange should buy them at a higher price; and when they were dear, it should sell them at a lower price. Then the profit would go to the state. In 1623 (1072 A. D.) this proposal was carried out. In the capital an "exchange" was established with 1,870,000 strings of cash as its fund. Over the whole empire there were numerous branches established for a short period of time.

In the capital, the general rules of the exchange were as follows: The guild-merchants and brokers could be merchants and brokers of the exchange; but the merchants should pledge themselves by property, either their own or borrowed, and five men should join together as a guarantee. When the people could not sell their goods, they were allowed to sell them at the exchange. After the bargain between the seller

[1] See also *infra*, pp. 592-3.

and the merchant was settled at a reasonable price, according to the amount of commodity purchased by the merchant, the price was paid in money by the exchange; if the seller wished to exchange his commodity for government commodities, it was allowed. By a pledge of salable goods, people were allowed to borrow money or to buy government commodities on credit, in accordance with the value of their pledge; the rate of interest was 10 per cent for a half year, or double that rate for a whole year. All kinds of goods, which might not be immediately wanted by the merchants but could be stored up and exchanged in the future, should be bartered for or bought by the officers, and should be sold at the market price without any effort to make a special profit. When the officials wanted anything, they should buy it from the exchange. When these rules were framed, there was an article saying that if the capitalists should make unjust profit by monopolistic schemes and injure this new law, such a proceeding should be investigated by the exchange and punished by the treasury department, but the emperor struck out this article.

As to the capital of the exchanges, the exchange of the capital city had 1,870,000 strings. In the same year (1623), in the military station of Chênt'ao (Kansu) an exchange was established with capital of about 500,000 strings. In 1624, the exchange of Hangchow (Chekiang) was established, with 200,000 strings. In 1625, the emperor granted a loan of 2,000,000 strings to the exchange of the capital city. In 1626, to the exchange of Canton (Kuangtung) were given 100,000 strings; and to that of Yünchow (Shantung), 300,000 strings. In 1627, to the exchange of Hsiho (Kansu) were given 150,000 strings. In 1628, the amount of capital in the exchange of the capital city was fixed at 7,000,000 strings; if this amount diminished, it should be filled up by the interest annually received. When the ex-

change borrowed money from the private treasury of the emperor, the annual interest was 20 per cent. In fact, the capital of the exchanges was very large.[1]

The system of the exchange had three characteristic features: the loan bank, the pawn shop, and the market place. We shall discuss the first two characteristics under the subject of government loan, and here discuss the last one only. The exchange was administered by Lü Chia-wên, but he was not successful. Wang An-shih tried in every way to imitate Sang Hung-yang and Liu An, but he did not succeed because he had no such men as Sang and Liu. From the side of the people, the exchange caused a great deal of trouble. Buying at a cheap price and selling at a dear one, it monopolized the market. Its original idea was to do away with the monopoly of the rich, but its real result was to ruin even the occupations of the poor. It sold even ice, the sesame, and fruits; hence the price was high, and it was hard for retailers to make a living. But from the side of the government, it did not make very much money. In 1627, when the exchange had been established about five years, its total interest and profit from these three features amounted to only 1,332,000 strings. At that time the merchants did not come to the capital city, and passed through other ways with their commodities, because they thus escaped the compulsory power of the exchange, forcing them to sell their goods at the exchange. Therefore, the small gain of the exchange did not cover even the loss of the commodity tax. In 1637 this system was abolished; in 1648 it was reëstablished; and in 1679 (1128 A. D.) it was finally abolished because its gain did not cover its expense.

[1] These figures are collected from the *History of Sung* (ch. clxxxvi), and the others, not given by history, are not to be found out.

CHAPTER XXX

Government Control of Grain

I. EQUALIZING THE PRICE OF GRAIN [1]

As a food supply has been necessary for human life through all ages, and China has been an agricultural country for thousands of years, the grain problem has been one of the greatest problems in its economic history. The theories and laws concerning grain are numerous. We shall select only the most important of them. On the whole, the policy of equalizing the price of grain is of chief importance, because it affects the interest of the whole society.

The policy of equalizing the price of grain is very old. According to the *Official System of Chou*, the superintendent of grain (*ssŭ chia*) looked around the fields and determined the amount of grain to be collected or issued, in accordance with the condition of the crop. He equalized the food of the people, fulfilling the deficit of their demand and adjusting their supply.[2] This policy was also carried out by Kuan Tzŭ and Fan Li. But Li K'o was the first one to give special emphasis to it and to establish complete rules. Therefore we shall take up his rules first.

1. *Rules of Li K'o*

When Li K'o became the minister of Wei, he said that if the price of grain were too high, it would hurt the con-

[1] This is a particular phase of government control of demand and supply.

[2] Ch. xvi.

sumers, and that if it were too low, it would hurt the farmers. If the consumers were hurt, the people would emigrate, and if the farmers were hurt, the state would be poor. The bad results of a high price and a low price are the same. Therefore, a good statesman would keep the people from injury and give more encouragement to the farmers. After describing the bad condition of the farmers,[1] he gives the following law for equalizing the price of grain:

Those who want to equalize the price of grain must be careful to look at the crop. There are three grades of good crops: the first, the second and the lowest. In an ordinary year, one hundred acres of land yield one hundred fifty bushels of grain. In the first grade of good crop, the amount is fourfold,—that is, one hundred acres yield six hundred bushels. Throughout one year, a family of five persons needs two hundred bushels for their living, so that they have a surplus of four hundred bushels. The government should buy three hundred bushels from them, leaving them a surplus of one hundred bushels. In the second grade of good crop, the amount of grain is threefold,—that is, one hundred acres yield four hundred fifty bushels. The family would then have a surplus of three hundred bushels.[2] The government should buy two hundred bushels, leaving them one hundred bushels. In the lowest grade of good crop, the amount is twofold,—that is, three hundred bushels. The family would then have a surplus of one hundred bushels. The government should buy fifty bushels, and leave them the other half. The purchase of the government is for the purpose of limiting the supply according to the

[1] See *supra*, p. 268.

[2] That is, of course, speaking roughly. According to an exact calculation, there are only 250 bushels remaining, since the family itself consumes 200 bushels.

amount demanded by the people, and it should be stopped when the price is normal. This policy will prevent the price of grain from falling below the normal and keep the farmers from injury.

There are also three grades of famine: the great famine, the middle famine and the small famine. During the small famine, one hundred acres yield two-thirds as much grain as in the ordinary year,—that is, one hundred bushels. The government should then sell at the normal price what it has bought in the lowest grade of good crop. During the middle famine, the hundred acres yield one-half as much grain as in an ordinary year,—that is, seventy bushels. The government should now sell what it has bought in the second grade of good crop. During the great famine, the amount of grain is only one-fifth of what it is in an ordinary year,—that is, thirty bushels. The government should sell what it has bought in the first grade of good crop. Therefore, even if famine, flood and drought should occur, the price of grain would not be high, and the people would not be obliged to emigrate. This would come about because the government takes the surplus of good crops to fill the insufficiency of bad years. In other words, the government controls the excess of supply in a good year in order to meet the demand in a bad year.

The policy of Li K'o is for the benefit of both society as a whole and the agricultural class. His main idea is for the welfare of the people only, and not for the finances of the state. Therefore, he is the real Confucian who stands on the side of the people and represents the purely economic doctrine in a practical scheme. When his scheme was carried out in Wei, he not only made the people rich, but also made the state strong.[1]

[1] *History of Han,* ch. xxiv

2. *Statement of Mencius*

In the writings of Mencius we find also the same principle of adjusting the supply and demand of grain. Mencius said to King Hui of Laing:

When the grain is so abundant that the dogs and swine eat the food of man, you do not make any collection for storage. When there are people dying from famine on the roads, you do not issue the stores of your granaries for them. When people thus die, and you say, "It is not owing to me; it is owing to the year," in what does this differ from stabbing a man and killing him, and then saying, "It was not I; it was the weapon?" [1]

3. *System of the Constantly Normal Granary*

The principle of equalizing the price of grain advocated by Li K'o and Mencius was adopted into the system of "constantly normal granary." During the reign of Han Hsüan Ti, when there were good crops for many years, the price of one bushel of grain was as low as five pennies. Then the farmers suffered greatly. In 498 (54 B. C.), Kêng Shou-ch'ang proposed that the government should buy grain from places near the capital instead of transporting it from the eastern provinces. According to the old custom of the Han dynasty, the government transported annually from the eastern provinces four million bushels of grain to supply the capital, which was in the province of Shensi, in northwestern China. As this transportation was by means of the waterway, the number of laborers amounted to sixty thousand. By the plan of Kêng Shou-ch'ang, which was approved and carried out by the emperor, the government saved more than half the expense of transportation, and the farmers got more profit. Then

[1] *Classics*, vol. ii, p. 132.

Kêng Shou-ch'ang proposed that all the provinces along the boundary of the empire should establish granaries. When the price of grain was low, they should buy it at the normal price, higher than the market price, in order to profit the farmers. When the price was high, they should sell it at the normal price, lower than the market price, in order to profit the consumers. Such a granary was called "constantly normal granary." As the result was good for the people, the emperor gave Kêng Shou-ch'ang the title of marquis.[1] This system has continued from the time the constantly normal granary was established, in 498, to the present day. Although it was sometimes in practice, and sometimes out of practice, according to the political conditions of different ages, its name has nominally existed in nearly all ages. Despite the modifications of this system in later times, the fundamental law of Kêng Shou-ch'ang remains the same. Therefore, we shall not mention the different laws of different dynasties.[2]

[1] *History of Han*, ch. xxiv.

[2] Through all ages, the amounts of addition to and of deduction from the market prices of grain under the system of "constantly normal granary" varied. During the reign of Tang Hsüan Tsung, about 1293-1305 (742-754 A. D.), for the purchase of grain, three pennies were added to the market price of each peck. In 1363 (812 A. D.), Tang Hsien Tsung ordered that ten pennies per peck be added. During the reign of Sung Chên Tsung (1557, or 1006 A. D.), these rates were fixed: in purchasing, three or five pennies were added to the market price; and in selling, three or five pennies were deducted from the market price; the deduction was not below the original price at which the grain was bought. About 1712-1740 (1161-1189 A. D.), the law of the Kin dynasty stated that the purchase-price was to be two-tenths higher than the market price, and that the selling-price was to be one-tenth lower than the market price. In 1741, the selling-price was reduced to one-third of the market price. In 2308 (1757 A. D.), Kao Tsung of the present dynasty ordered that the selling-price of one bushel of grain should be three maces of silver lower than the market price. From the facts mentioned above, we can get some idea of the range of prices.

4. *Criticism*

(a) *Its Strength*

The equalization of the price of grain is a very beneficial and practical scheme. It benefits the people without cost to the state. When the price is too low, though the government buys the grain at a price higher than the market rate, this does not mean a waste to the government. When the price is too high, though the government sells the grain at a price lower than the market rate, it does not mean a loss to the government. Even if it should be an expense to the government, the social benefit is much greater than the public expense. On the contrary, as a matter of fact, the government can make profit out of this system. In ancient times, Kuan Tzŭ used a similar scheme to enrich the state of Ch'i. During the Tang dynasty, this scheme made money to meet the need of public finances. During the Sung dynasty, it became of great importance for the food supply of the standing army along the boundary. We do not touch here the side of public finance, however, but the side of the people only, which was the original consideration of this system.

According to the *laissez-faire* doctrine, this system seems unnatural, and will do more harm than good, but this is not true at all. In the first place, the farmers are short-sighted and cannot look out for their own interests. As Ch'iu Chün (1971-2046, or 1420-1495 A. D.) said, the farmers have no farther thought; when the crop is good, they exchange the grain for money, and exchange the money for consumption goods. In a little while the whole crop is gone. When a bad year comes, they fail to make a living.

In the second place, the farmers are helpless to protect their own interests, even if they are not short-sighted.

From the statements of Li K'o and Chao Tsao,[1] everyone can see that in ancient times the condition of the farmers was very bad. But conditions are about the same in modern times. Because the condition of the farmers is very bad, they are bound to sell their crops at any price. When the harvest is finished, every farmer is obliged to sell grain at the same time. As there is a great supply of grain, its price must naturally be lower than usual. When the artificial suppression of the merchants is added, the farmers have no way to escape suffering. Moreover, as the farmers almost always borrow money from the merchants at a high rate of interest, their crop is practically sold before the harvest. In a word, the life of the farmers is controlled by the merchants.

In the third place, as grain is necessary to human life, its price has the greatest influence upon society at large. If the merchants controlled its price by keeping it in storage and limiting its supply in the market, the consumers would suffer severely. From a study of Chinese history in famine times, it appears that the high prices of grain usually disturbed national peace, at least locally, and sometimes even produced great revolutions. Even at the present day, the people are alarmed at a high price. Therefore, besides the system of constantly normal granary, the Chinese have now numerous laws to forbid exports of grain to foreign countries, local prohibitions of exportation, the special storage of the merchants, *etc.* In fact, the price of grain serves as a barometer of Chinese economic conditions.

In the fourth place, last and most important, as agriculture is subject to nature, the crop does not follow the law of demand and supply. A bad year may come simultaneously with a great demand, and several good crops may

[1] See *supra*, pp. 268, 395-7.

come successively. If we adopt a *laissez-faire* policy, in the former case the people would die of hunger, and in the latter case the farmers would get nothing but grain, because the lowest price would not be sufficient to exchange for other commodities. If they sold their crops at the lowest price, the merchants would profit at the expense of the farmers. If the consumers bought grain at the highest price, the merchants would profit at the expense of the whole society. Such a condition is especially true in China, where there is a great population and the people use rice as the principal food. Before the Opium War, China had little foreign trade, and did not get much food through importation. Even at present, foreign trade does not help China in this respect, because the western nations do not supply her with rice.[1] As the people cannot depend upon nature, they must necessarily adjust artificially the price of grain.

Because of these four considerations, the system of equalization of the price of grain has done immeasurable good to China. Owing to the difficulty of transportation and the absence of importation, this system was more important in old times than it is at present, but it is still very important. Take the province of Kuangtung, for example, where transportation by water is very convenient, and where the importation of rice from Annam and Siam and from the neighboring provinces of China is very large. When the crop is bad, it is a policy of the government to give a fund together with the subscription of the people, to buy rice everywhere and sell it at a low price, in order to compete with the rice-merchants and make the price low. Artificial limitation of supply by the merchants and unreasonable raising of price are not allowed. The chief reason is because the people

[1] The only importation of rice is from Annam and Siam.

depend so much on rice, and demand it in large amount. It seems that a change of taste or habit, and a resulting smaller consumption of rice, would be desirable.

(b) *Its Weakness*

Although the system of constantly normal granary is good, it still has weaknesses. The first one to object to this system was Liu Pan (570-629, or 19-78 A. D.). When Han Ming Ti wished to establish it, Liu Pan said that it had the name of benefiting people, but that it did not do so in fact, because the rich took advantage of the system, and the people failed to get the benefit.

In 1637 (1086 A. D.), Ssŭ-ma Kuang (1570-1637, or 1019-1086 A. D.) describes very clearly the weakness of this system in his day. Some of the magistrates have no public fund to buy grain, and some do not want to buy it because they like to save themselves trouble. In some cases, the officials do not know the real price, and let the employees, together with the merchants, defraud them. When the farmers hurry to sell their grain, the employees purposely give a lower price, in order to make the farmers sell it not to the government but to the merchants. After the merchants buy enough of it, they begin to raise the price. Therefore, the farmers get only a low price, and the government pays always a high price; the profits go only to the merchants. In some other cases, even if the officials want to buy it at proper times, they are obliged to send word from the district to the prefecture, from the prefecture to the superior of the province, and from the province to the imperial capital. When the answer comes back, months have passed, and the price is doubled. Therefore, a few years later, the original price of the purchase of the government is still higher than the market price. Such grain cannot be sold, and becomes a waste. But he said that these defects

come from the administration of man, not from the law itself, which is true.[1]

As the criticism of Ssŭ-ma Kuang refers to the purchase only, we shall give a criticism referring to the sale. Chu Hsi says that as the constantly normal granary is established only in cities, it benefits only the lazy suburbans. As for the good farmers in the mountain districts, even if they are dying of hunger, the grain cannot reach them. Moreover, the law is too complicated; its result is that even when the officials see victims of famine, they do not dare to issue the grain. Usually they lock the granary up and hand it down to their successors without its being touched for several decades. During an emergency when the grain is necessarily issued, it has become dust and dirt which cannot be eaten.[2] But all these weaknesses are the results not of the original law itself, but of the administration of man.

To-day, although the constantly normal granary exists not only in name, but in fact, it is not of great importance. Usually, keeping the old grain in the granary, the officials neither buy new grain nor sell old. Therefore, the fundamental principle of this law has lapsed, and the granary has nothing to do with the market price. The chief reason for this is that it is difficult for officials to undertake commercial functions along with political duties.

II. DISTRIBUTION OF GRAIN[3]

1. *System of the Free Granary*

From the system of constantly normal granary, the system of "free granary" was introduced by the Sui dynasty. There are these differences between the two systems: the

[1] *General Research,* ch. xxi. [2] *Ibid.*

[3] All occasional distributions of grain, during any calamity, are entirely left out.

constantly normal granary belongs to the government, and the grain is bought and sold by means of payment; while the free granary belongs to the people, and the grain is collected as an addition to taxation, and is distributed freely. In 1136 (585 A. D.), Ch'ang-sun P'ing, a high official, basing his plan on the Confucian doctrine of storing grain,[1] proposed that each village should establish the free granary. During harvest, each farmer should be advised and encouraged to contribute voluntarily rice and wheat, proportionately to his crop. This should be stored up in the granary, and the committee of that village should be in charge of the annual collection, the care of storage and the account. During a bad year, if the inhabitants of that village should be in want of food, the grain of the granary should be given to them. This proposal was carried out by Sui Wên Ti, and this system prevailed over many provinces.

In 1147 (596 A. D.), Wên Ti decreed that the free granary should also be established in the city of each district. In the same year, he changed the voluntary contribution into a tax, and regulated it in three grades: the well-to-do family should be taxed not more than one bushel of grain; the ordinary family, not more than seven pecks; and the poor family, not more than four pecks.[2]

The free granary was also called "village granary." This system was highly esteemed by Hu Yin, who said that. for the relief of famine, nothing is more important than that the granary should be near to the people. Therefore, the system of free granary of the Sui dynasty was much better than that of modern times, when the granary was located in the cities only.[3]

[1] See *supra*, p. 358.

[2] *History of Sui*, ch. xxiv.

[3] *General Research*, ch. xxi.

During the Tang dynasty, in 1179 (628 A. D.), Tai Chou, a high official, also making use of the Confucian doctrine of storing grain, proposed to reëstablish the system of free granary. Then Tang T'ai Tsung carried his proposal into law. According to the products of different soils, each acre was taxed two pints of grain. During a bad year, if the crop lost four-tenths, half of the tax was remitted; if it lost seven-tenths, the tax was remitted entirely. As the merchants had no land, their families were classified into nine grades, and the variation of their offering of rice was from five bushels down to five pecks. The poorest families and the barbarian tribes were exempted. When the crop was bad, grain was distributed to the people, or in the spring it was loaned for seed, and in the autumn it was returned.[1]

Under the Sung dynasty, the system of free granary practically died out. But there was a proposal which should be mentioned. About 1585-1588 (1034-1037 A. D.), Wang Ch'i proposed that this system should be reëstablished. The tax should begin from the fifth grade of family up; and its rate should be one-twentieth of the regular tax. It should be collected together with the regular tax, and remitted in bad years. Since the average amount of the regular tax in the ordinary prefecture was one hundred thousand bushels, the free granary would get an addition of five thousand bushels. The rich families, owning more land, would pay more taxes to the free granary; while the ordinary and poor families, owning less land, would pay only a small tax. But, during bad years, while the rich families might not need the distribution of grain, the ordinary and poor families might really receive the benefit. This would follow the principle of "taking away the surplus to fill the insuffi-

[1] *New History of Tang*, ch. li.

ciency," and it would be a benefit to the whole empire.[1] Although his proposal was not enacted into law, his statement points out clearly the principle of the system of free granary.

This system was a socialistic measure: it got more taxes from the rich and gave more benefit to the poor. But no one has thought that this system is not welcomed by the rich. First, the tax was very small, and it was in accordance with ability, so it was easy for the people to pay it. Second, the rich could participate in the social benefit just as much as the poor, otherwise they would lose more than the poor by the disturbance of peace. Third, as they lived together in a small community, the rich for ethical reasons were willing to help the poor. Fourth, as the account was in the hands of the rich, they knew perfectly its financial condition, and had no fear of the corruption of the officials. The first cause made them able to pay the tax, and the last three causes made them willing to pay it. These points are the strength of this system.

III. GOVERNMENT LOANS OF GRAIN

1. *Classical Theories*

In ancient China the whole empire was an agricultural community, so that the grain was not only the subject of production and consumption, but also the means of exchange and distribution. In fact, in modern times money is a most important factor of industrial capital, but in ancient times grain was the most important. As the agricultural class formed the majority of people, if they were suffering the whole empire would be in distress. In that agricultural stage, there was nothing worse than usury for the hurt

[1] *General Research,* ch. xxi. His theory is the faculty theory of taxation, as against the benefit theory.

of the farmers. But fortunately, the ancient Chinese did not enact any law to forbid usury, because they knew that it could not be done away with by law.[1] The only protection given by the government to the farmers against usury was the lending of capital, grain, to them at the lowest rate of interest, or no interest at all. Although the loan was in the form of grain, since the country was in the agricultural stage, the same principle would apply even in the industrial stage. This is the socialistic theory of Confucianism.

The *Canon of Poetry* says: "Bright are those extensive fields, a tenth of whose produce is annually levied. I[2] take the old stores and with them feed our farmers."[3] Chêng Hsüan comments:

When the granaries were more than sufficient, the people were allowed to borrow grain on credit or on payment of interest. Taking the old stores to feed the farmers, on the one hand, was to change the old grain of the government; and on the other hand, it encouraged the people to keep their new grain. This was the law of ancient times practised in good years.

Even in good years there might be poor people in want of food; hence the government helped them out by lending them the old grain, while it kept the new grain in its granary.

According to the *Official System of Chou*, there is a collector of the taxes of the country (*lü shih*), who takes

[1] Historically, the usury law first appeared in the Han dynasty; in 436 A. K. (116 B. C.), Marquis P'ang-kuang was deprived of his feudal estate partly because he made interest beyond the legal rate (*History of Han*, ch. xv). There is a usury law in the *Law Code of the Ts'ing Dynasty* (ch. xiv); but it is not enforced.

[2] The prince.

[3] *Classics*, vol. iv, pt. ii, p. 376.

charge of the three kinds of grain which come from the three kinds of taxation. First, when the grain is distributed to the people, he calls them up by the names of the tax roll, and distributes proportionately the stores. Some are for the maintenance of life or consumption, and some are for use in business or production; for both purposes the people are required to pay the same rate of interest. Second, there is also another law for the lending of grain without interest. In spring, when the people are in want of grain, he gives it to them. In autumn, when the people have plenty of it, they return it to him. In this way the government exchanges the old grain for the new, and the people are enabled to meet their needs. It benefits the people, but costs the government nothing.[1]

During the Chou dynasty, the lending of grain to the people was a policy for winning their hearts. Therefore it was practised by many noble families—such as the Han of Chêng, the Yo of Sung, and the Chen of Ch'i.[2] The result was that they all became controllers of their states. These facts are sufficient to show the importance of lending grain by the government. First, it relieved the people; and second, it strengthened the power of the ruling house.

2. *System of the Village Granary*

From the system of free granary, a system of "village granary" was developed. The difference between these two systems was that the former distributed grain freely, while the latter loaned it. But, since the free granary was also called village granary, and since the grain of the free granary in the Tang dynasty was also allowed to be loaned, the system of village granary was practically the same as that

[1] Ch. xvi. The second rule was adopted by Wên Ti of the Northern Chou dynasty.

[2] *Classics*, vol. v, pt. ii, pp. 548, 589.

of free granary. However, the main purpose of the free granary was distribution, and that of the village granary was loan, so it is best to make a distinction between them. Moreover, the sources of the free granary came from an addition to the taxes, and the granary was interfered with by the government; but those of the village granary came entirely from voluntary contributions, and the granary was controlled solely by the people. Therefore, the system of village granary was an independent institution, an outgrowth from the free granary.

The system of village granary was established by Chu Hsi. In 1719 (1168 A. D.), when the people of his district (Fuhkien province) were hard pressed for food, he asked the prefect to give him six hundred bushels of rice from the constantly normal granary for the purpose of relief. In the summer the people received the rice, and in the winter they returned it, together with 20 per cent interest. After that year, this was repeated every year. When the crop was not good, one-half interest was remitted, and when it was very bad, the total interest was remitted. Throughout fourteen years, three granaries were established for the storing of the rice which came as interest. After he returned the original amount of rice to the prefect, the existing amount in the granaries was three thousand one hundred bushels. Then no interest was required; but when the people returned their loan, for each bushel three pecks of rice were added to the principal in order to save waste. Hence, around his village, even when bad years occurred, there was no want of food. This system was called village granary. In 1732 (1181 A. D.), when he suggested this system to the government, it was given by the government to all districts as a model.

The details of this system were that among all borrowers, ten families formed a *chia*. In each *chia*, a head man was

elected. Among fifty *chia*, a village elder was chosen by the committee of the granary. In the first month, the village elder began to form the *chia*. Those people who kept deserted soldiers, who did not behave themselves, and who were well-to-do, were excluded; but none was compelled to come in. When they wanted to come in, they gave the number of the adults and children of their families. For an adult, one bushel of grain was loaned, and for a child, half that amount. Below five years, no child could apply for a loan. The head man of the *chia* could apply for a double amount. The village elder, after his examination, took signatures of all the members to the granary, and they were examined again. Their names were registered according to the arrangement of the *chia*, and the amount of loan for each family was written down. For the total amount of the loan of each *chia*, a certificate was given to the head man for his withdrawing of grain. Yet the issue of the loan was divided in two—one part for the seeding and the other for the weeding. After harvest, the loan should be entirely paid back not later than the last day of the eighth month. If the returned grain was not good, the returner was liable to a fine. These details were the general rules of the system of village granary.

The system of village granary was similar to that of "green sprout money," [1] but the former was much more successful than the latter. The reasons for this have been pointed out by Chu Hsi himself. He said that the idea of the law of "green sprout" was not bad; but its issue was not of grain, but of money; its location was not in villages, but in cities; its control was not by the people, but by the officials; and its practice was not with the motive of charity, but with the aim of revenue. Therefore, this law was suc-

[1] See *infra*, pp. 589-592.

cessful when Wang An-shih applied it to a district, but it was unsuccessful when he applied it to the whole empire. Now, this system of Chu Hsi was of the same principle as that of Wang An-shih, but his application was different. Its issue was of grain; its location was in villages; its control was by the people; and its practice was with the motive of charity. These were the reasons of the success of the village granary system.[1]

Since the system of village granary was established by Chu Hsi, it has been practised by many followers. Under the Sung dynasty there were some modifications—the grain was also loaned to farmers who owned no land, while originally it was loaned to land-owning farmers only, and no interest was required.[2] In the present dynasty this system still exists. In 2275 (1724 A. D.), the following was the rate of interest: for one bushel of grain loaned in summer, two pecks should be paid in winter as interest, that is, a semi-annual interest at the rate of 20 per cent. According to the situation of bad crops, a remission of either a half or the whole of the interest was made. After ten years, when the interest would be more than double the amount of the original grain, the rate of semi-annual interest should be reduced to 10 per cent.[3] Although there were small modifications in later times, its essentials remain the same.

[1] *General Research,* ch. xxi.

[2] *Continuation of the General Research,* ch. xxvii.

[3] *General Research of the Present Dynasty,* ch. vi.

CHAPTER XXXI

Government loans and public relief

II. GOVERNMENT LOANS

1. *Classical Theories*[1]

The principle of government aid for the farmer was noted by Mencius. He says:

When the emperor visited the princes, it was called a tour of inspection. When the princes attended the court of the emperor, it was called a report of office. It was a custom in the spring to examine the ploughing, and supply any deficiency [which might be either of seed, or of instruments, or of money]; and in autumn to examine the reaping, and assist where there was a deficiency of the crop.[2]

In fact, whenever the emperor and the princes went out, it was necessary for them to help the farmers in any way. Before the seeding, and after the harvest, any deficiency was filled by the aid of government,—that means the government should aid the farmers at all times when they need it. But, as Mencius does not tell whether the farmers should return what they had received to the government or not, we cannot decide that with certainty. It would seem, however, that the farmers must have returned it, otherwise the government could not have given aid as often as Mencius says. But there would be no interest.

[1] See also the classical theories about the government loan of grain, *supra*, pp. 580-2.

[2] *Classics*, vol. ii, pp. 159, 436.

Among all the Confucian texts, there is no theory of lending money at interest by the government. Such theory is given only in the *Official System of Chou*. Unfortunately, Wang Mang and Wang An-shih were the only two who applied this law of the *Official System of Chou*, and both failed. Therefore, the question was raised as to whether this law was originated by the Duke of Chou or not. Many Confucians denied it, and thought that this law was put into the *Official System of Chou* by Liu Hsin, in order to support Wang Mang's law. But the affirmative side is very strong. Although Liu Hsin did put his own words into the *Official System of Chou* in many other places, it seems sure that this law was originated by the Duke of Chou. During the beginning of the Chou dynasty, the government completely controlled the economic life of the people, and there was no capitalistic class. If the government would not lend money to them in time of need, how could the people get money to meet their expenses? And how could the productive forces be sufficient? As the government was paternal in form, and the Duke of Chou was a great sage, there is no doubt that he did establish a government bank for the benefit of the people.[1]

According to the *Official System of Chou*, the government bank is called *ch'üan fu—ch'üan* means money, and *fu* means treasury. It gives credit and loans to the people. Since this bank has commodities for sale, the people are allowed to buy them on credit without paying interest. But such credit is given on only two occasions—sacrifice and funeral. As these two things are religious matters and are necessary to the people, the government gives them credit in order to satisfy their needs in emergencies. The limit of time is fixed thus: for sacrifice, payment shall be made in

[1] *General Research*, chs. viii, xx.

not over ten days; and for funeral, in not over three months. Whenever the people want to borrow money or commodities from the bank, it first investigates their cases with the aid of their magistrate, and then grants them the loan. In this way it makes sure that they use the loan for production and not for consumption, so that there is no danger to creditor or borrower. For necessary consumption, as sacrifice and funeral, the government does not require interest; but for productive capital, it requires interest. On the one hand, this prevents the people from making private profit at public expense; and on the other hand, it benefits them without loss to the government, because the total interest would be sufficient against the risk. There is a rule that the interest is paid according to the business of the locality. For example, if the principal business of the locality of the borrower A is agriculture, the interest is paid in agricultural products, and if that of the borrower B is manufacture, it is paid in manufactured goods. This is for the convenience of the borrower, so that he can easily pay off his debt. Since the rate of interest is not given by the text, it is unknown; but it must be very low, because its purpose is not for revenue, but for the benefit of the people.[1]

During the Chou dynasty, the government loan was part of a policy of developing the economic interest of the people. For example, when Marquis Tao of Tsin wanted to give his people rest and prosperity (13 B. K. or 564 B. C.), all the accumulated stores of the state were given out for the borrowing of the people. From the marquis downwards, all who had such stores brought them forth. Hence, the state had no store which was not in circulation, and there was no one exposed to want.[2]

[1] Ch. xv. Chêng Hsüan gives the rate of interest in his Annotation (see *supra*, p. 474), but it is only a guess.

[2] *Classics*, vol. v, pt. ii, p. 441.

2. *Their Application*

(a) *The System of Credit and Loans*

Wang Mang imitated closely the Duke of Chou. In 561 (10 A. D.), he decreed that the banking department in the office of "five equalizations" should give credit and loans to the people. When people were called on for sacrifice or funeral, but had no money to meet their needs, it should lend them the money which came from the income tax on simple credit without requiring interest. The limit of time was: for sacrifice, not later than ten days; and for funeral, not later than three months. When people were in want and wished to borrow money for the purpose of production, it should give them loans according to the order of application. Besides the covering of their cost of production, the government got a tithe of their annual net profit for the profit of the government, as an income tax. The rate of interest was 3 per cent monthly.[1] As there was a distinction between interest and profit, it shows that there was an advance in economic theory and practice. But Wang Mang was killed in 574, and thus this scheme did not last very long.

(b) *System of the Green Sprout Money*

Under the Sung dynasty, the system of constantly normal granary was changed into the system of "green sprout money." This was the most important law of Wang Anshih. His law was based on the statement of Mencius and the law of the *Official System of Chou*. But the peculiar features of his law were that it lent to the people not grain, but money; and that it lent money not only to the farmers but also to the burghers. However, the primary purpose of this law was to lend money to the farmers. Hence the

[1] *History of Han*, chs. xxiv, xcix.

name of green sprout money was given it,—meaning that before harvest, when the grain was only a green sprout, the government lent money to the farmers.

This law was introduced in 1620 (1069 A. D.). If people wished to get money in advance, they were allowed to borrow it from the government; and when they paid taxes, they should return grain for the money they had borrowed. If they wanted to borrow grain instead of money, or if they wanted to return money instead of grain because at the time of return the price of grain was high, they were allowed to do so. For the crop of summer, the money was lent in the first month; and for that of autumn, in the fifth month. If the crop was bad, the farmers were allowed to return grain at the coming of another good crop. This law was intended to enable the farmers to start to work without delay, and to prevent private money-lenders from taking advantage of the interval of the harvest to get usury.

According to history, the practice of this law was that the loan of the government and the payment of the people were both in money, not in grain. The annual rate of interest was 20 per cent. In 1625 (1074 A. D.), Wang Anshih said that the government received annually total interest from its loans amounting to three million strings. In 1634 (1083 A. D.), the total issues of loan were fixed at 11,037,772 strings, and the total collections on the same at 13,965,459 strings, including interest. These two sums were the average amounts of three years, for the issue and the collection. But, when there was a fixed amount for issuing loans, the officials had to lend as much money as the fixed amount; and when they wanted to get special rewards or to show their ability, the money was lent even beyond the fixed amount. Therefore, the officials forced the people to make loans. Again, when there was a fixed amount for

collecting payment, the officials forced the people to pay their debts together with interest. For the immediate interest of the government, it brought a large sum of revenue.

What were the results to the people? The officials wanted to get interest rather than to help the people, so they lent as much money as possible. As the rich did not wish to borrow, they gave them large sums; and as the poor needed to borrow, they gave them small sums. According to the grades of wealth, the loans were distributed. For example, the rule of Wang Kuang-lien was that, for the first grade of family, fifteen strings of cash were given; for the second, ten strings; for the third, five strings; for the fourth, one string and five hundred; and for the fifth, one string. Taking the rich and the poor together, ten men guaranteed each other, and the rich man was made the head of them. Hence the rich and the poor were both overburdened with debts, and were pressed by the officials for the return of payment.

Although the purpose of this law was good because it intended to help people getting away from usury, the practice of it was bad, because in the beginning it forced people to take loans, and in the end it forced them to pay debts. Generally, when it was too easy for the people to get loans, even good citizens would be careless and use them for other purposes; and when they paid debts, even rich men would delay their payment. Then the officials must have had a great deal of trouble. Moreover, in issuing loans and collecting debts, there was no way to prevent administrative corruption. This was the chief reason for the failure of this law.

Furthermore, the law itself was rather to get revenue than to help people. First, it made the annual interest 20 per cent; and second, it issued loans twice a year. In spring, it might be said that the green sprout money was

needed by the farmers; but in summer, when the crop was just reaped, why should this money be lent again for the crop of autumn? The loan of the fifth month was at the same time when the debt of spring was collected. How could the people make profit out of such a loan? It was clear that the government purposely wanted to get interest.

From 1620 to 1636 (1069-1085 A. D.), the green sprout law continued for seventeen years. In 1637, when the new emperor, Sung Chê Tsung, came to the throne, and the party opposing Wang An-shih, Ssŭ-ma Kuang, came into power, this law was abolished. In 1645, after the empress dowager, the regent, had died, when the followers of Wang An-shih returned to power, this law was revived. But they made some reforms in the law. First, the annual interest was reduced to 10 per cent. Second, the amount of loans was not fixed, so the officials were not obliged to force the people to borrow money. Third, there was no special reward for the officials who made more interest, so it prevented them from forcing the people to make loans. In 1674 there was still another decree to regulate the loans. This law was ended by the fall of the Northern Sung dynasty (1677, or 1126 A. D.).[1]

(c) *System of Exchanges*[2]

Besides the system of green sprout money, in 1623 (1072 A. D.), Wang An-shih established the government exchange. In that exchange the people were allowed to borrow money. There were two ways: one was that they could pledge their land, houses, gold, silver, *etc.*; and the other was that when they had no pledge, they should get three men together to form a guarantee. In the first case, this resembled a pawn shop; in the second case, it resembled

[1] *History of Sung,* ch. clxxvi. *General Research,* ch. xxi.

[2] See also *supra,* pp. 565-7.

a loan bank. The annual rate of interest in both cases was 20 per cent. If the payment was later than the due time, besides the regular interest, there was a fine at the rate of 2 per cent a month.

When the people fell into debt and could not pay even the interest, however, how could they pay the fine? Even the punishment of imprisonment was in vain. In 1630 a new law was enacted that the loan should be issued only on a pledge of property, and that the annual rate of interest should be reduced to 12 per cent. Those people who had no pledge but a simple guarantee, should not be given loans. Except the principal and interest, all fines before the date when the law was enacted should be remitted, and these amounted to several hundred thousand strings. For the indebted people, days of grace were given, the length of a half year for the payment of principal and interest.

In 1631 the amount of loan due to the exchange of the capital city was fixed at not more than three million strings; and in all provinces it should not be more than one-fourth of that amount. In 1633 the emperor decreed that debts due to all the exchanges should be paid off at the length of three years, and by the way of monthly instalments. This was for the benefit of the people.[1]

(d) *System of Pawn Shops*

Besides the exchanges which had the characteristics of pawn shops, there were also real government pawn shops, under that name. In 1632 (1081 A. D.), by the proposal of Chia Ts'ing, four pawn shops were established in the capital. In 1633 they were established in the districts near the capital, and in the next year they were over the whole empire. Among the five provinces, each had one hundred

[1] *History of Sung*, ch. clxxxvi. *General Research*, ch. xx.

thousand strings for the capital of the pawn shops; and among the rest, each had fifty thousand strings. The annual rate of interest was not over 20 per cent.

The pawn shop also did commercial business, because it was allowed to exchange commodities with the people. The functions of pawn shops and of exchanges overlapped each other, and the two institutions were connected with each other. How long the system of pawn shops lasted is unknown, but since the date of 1679 (1128 A. D.) it does not appear in history.[1] Probably it died out not very long after that date.

3. *Conclusion*

The lending of money by the government presents the difficulty of accomplishing two things at the same time:—namely, aid to the poor people and revenue to the state. If it is a purely social scheme, as advocated by Mencius and in the *Official System of Chou*, it may be successful for the help of the people. If it is a purely financial scheme, with a good administration like that of a private business, it may be successful for the interest of the state. But if it tries to accomplish the two objects at the same time, it must fail on both sides. As the primary purpose of this scheme is for the help of the poor, the loan ought to be given only to the poor. But, when the poor borrow money, it is certainly difficult for them to pay back not only the interest, but also the principal. How should the government treat them? If their indebtedness should be swept away, it would be a loss to the state; if it should be demanded, it would be a great trouble to the people. It must fail either way. Wang Mang and Wang An-shih are examples of this.

However, why did the green sprout money still bring a

[1] *History of Sung*, ch. clxxxvi.

great revenue to the state? Because this money was lent more to the rich than to the poor, and because the rich were obliged to guarantee the credit of the poor. The scheme of green sprout money was partially for the purpose of revenue, so that it was somewhat successful in this aspect; but it was hardly of any great benefit to the poor. However, from the experience given by history, the loan on pledge is much better than on personal guarantee, because the pledge is convenient to both lender and borrower, and saves the trouble of the third party.

In the opinion of Liu An, government loans were not a good thing, so he never extended any loan to the people. When some one criticized him for this policy, he replied:

To allow the people to obtain money without labor is not the blessing of the state, and to let the officials collect debts in an arbitrary manner is not the convenience of the people. Although I do not lend anything to them, I know the crops and the prices of every place in a short time. When the price is low, I buy the commodities, and when it is high, I sell them. Thus no place has ever suffered the trouble which comes either from a very high price or from a very low price. Why should I need to give them any loan?[1]

This statement is good, but it is good only for Liu An, because no man can make the condition of the people such that they do not need loans, as he did. Generally, the people do need the loan of money; if the government provides loans to them at the lowest rate of interest, it may help them a good deal, and do away with usury. But it must not be mixed up with the purpose of raising revenue; if it is, how can this be better than private lenders?

[1] *History of Sung*, ch. clxxvi.

According to the theory of Ma Tuan-lin, government loan is good in the feudal stage, but not good in the stage of absolute monarchy with a provincial system. Under the Three Dynasties, not only could such a great sage as the Duke of Chou successfully lend money to the people, but even ordinary men could do so. After that period, not only could Wang Mang and Wang An-shih not succeed, but even a sage would have failed. The reasons are simply that in the feudal stage the interests of the ruler are identified with those of the people, because the ruler holds by hereditary right, and the administration is easy because the imperial state and the feudal state are all small; and that, in the provincial system, with a temporal administration of the officials, they are strangers in the beginning, and cannot accomplish their work before they go away after a term of three years. Therefore, when the government attempts to apply the laws of the *Official System of Chou*, it is a useless trouble to the government as well as to the people. Hence, from the Ch'in dynasty down, the government has preferred the *laissez-faire* policy.[1]

This theory of Ma Tuan-lin is correct, but it seems to us that some laws of the *Official System of Chou* can be applied in the modern democratic society. Take the government loan for example. If the government were really in the hands of the people, the interest of the people and that of the government would be the same. Under such a condition, the government, especially the officials, can do no wrong to the people, and with a good system of administration in every way, the government loan at lowest interest may not only help out the needs of the people, but also raise revenue for the state. Wang An-shih was a great statesman indeed, but he lived either too late or too early.

[1] *General Research*, ch. clxxx.

Had his whole plan been carried out, China would have been a modern state one thousand years ago.

II. PUBLIC RELIEF

1. *Principles of Confucius*

Although Confucius wishes everyone to be economically independent, there are many unfortunate people who cannot have economic independence. Hence they need public relief. The "Royal Regulations" says:

> One who while quite young loses his father is called an orphan; an old man who has no son is called a solitary one; an old man who has no wife is called a widower; and an old woman who has no husband is called a widow. These four classes are the poorest of Heaven's people, and have none to whom to tell their wants. They all should receive regular allowances.[1]

This is the law of Confucius. Mencius gives an historical fact to support this theory. He says: "Wên Wang, in the institution of his government with its benevolent action, made them the first objects of his regard."[2]

These four classes are either too young or too old for work; hence the state supports them by a regular allowance without requiring them to labor. But there is another kind of unfortunate people who can work but have difficulty in finding their particular kind of employment by themselves. Therefore, the "Royal Regulations" says: "The dumb, the deaf, the lame, those have lost a member, the pygmies, and the artisans, are all fed according to what work they are able to do."[3] Except the last class, all the

[1] *Li Ki*, bk. iii, pp. 243-4.

[2] *Classics*, vol. ii, p. 162.

[3] *Li Ki*, bk. iii, p. 244. See also *Hsun Tzŭ*, bk. ix.

five kinds of people have physical defects, and find it very difficult to make their own living. Even among the last class, those who have a particular profession or art, may be out of employment under many circumstances and cannot be self-supporting. Therefore, public relief is necessary. Since they are neither too old nor too young, and their physical condition still allows them to work although having some defect, and since the artisans have their handicrafts, they are not given regular allowances, but simply supported by their own labor at tasks which are provided by the state. The state gives great help to them, but does not waste the public money. The people get some dependence, but still live upon their own work without disgrace. This way is in the middle course between charity and justice.

2. *Historical Facts*

The principle of giving special favor to the widower, widow, *etc.*, was first put in practice by Han Wên Ti (373 A. K. or 179 B. C.), but it was well established by the Sung dynasty. After 1608 (1057 A. D.), the government established a granary in each district for the storing of rice which came from the public land as a rent. From the first of the eleventh month to the end of the third month of the next year, one pint of rice was given to each person every three days, and the children received half the amount. In 1654 (1103 A. D.) this idea was carried too far, and it became too expensive. In the almshouse, food, clothes, and beds were all given; servants, cooks, and nurses were all supplied. In 1671 (1120 A. D.) the following law was fixed: when the poor lived in the almshouse, one pint of rice was given to each every day, and the children got half this amount. The old regulations, that ten coins were daily distributed, and five coins for charcoal were added from the eleventh month to the first month, were abolished.[1]

[1] *History of Sung*, ch. clxxviii.

Yüan Shih Tsu issued decrees ten times for the relief of the widower, widow, *etc.* We may give a few examples. In the eleventh month of 1820 (1269 A. D.), he decreed that all the provinces give monthly two pecks of rice to each of the poor; and in the first month of 1822, he decreed that they establish almshouses for the shelter of the poor, and give them fuel, besides food. In 1842 (1291 A. D.) he granted clothes for summer and winter to the widows, and in the following year he gave the poor five catties of fuel every day.

Ming T'ai Tsu decreed several times to support the widower, widow, *etc.* In 1937 (1386 A. D.) he made the following law: among poor people, if the age was above eighty, five pecks of rice, three pecks of wine, and five catties of meat were given to each of them monthly. If the age was above ninety, one roll of silk and one catty of cotton were added to this amount annually. Those who owned some farm land were not given rice. To all the four classes, —widower, widow, orphan, the solitary,—six bushels of rice were given annually.[1]

In the present dynasty, every district has an almshouse. According to the *Law Code of the Ts'ing Dynasty*, if the officials do not support the four classes, the very sick person and the infirm and superannuated who need public support, they shall be punished with sixty blows of the long stick.[2] Therefore, the principle of Confucius has been put into actual law, and its effect differs only because of the efficiency of administration.

What we have mentioned is only one phase of public relief which is maintained permanently. The occasional public relief which is issued during any calamity, such as fire, flood,

[1] *Continuation of the General Research,* ch. xxxii.

[2] Ch. viii.

or famine, is entirely left out. Here we have simply indicated that, according to the system of Confucius, there is a positive institution for the support of the poor.

3. *Private Charity*

Working along with public relief is private charity. Confucius does not like to have anyone possess a disproportionate amount of wealth over others; but if one has a great fortune and deserves it, he likes to encourage him to diffuse it in a proper way. Hence charitable works are good things.

Tzŭ-kung says to Confucius: "Suppose the case of a man extensively conferring benefits on the people, and able to sasist all, what would you say of him? Might he be called a philanthropist?" "Why speak only of philanthropy in connection with him?" replies Confucius. "Must he not have the qualities of a sage? Even Yao and Shun were still solicitous about this." [1] From this conversation we can see how highly Confucius praises the one who can confer extensively benefits on the people and assist all. Indeed, there is even yet no one who can attain such an ideal.

When Tzŭ-lu asks about the wishes of Confucius, the Master says: "They are, in regard to the old, to settle them comfortably; in regard to friends [who are about the same age as mine], to make them confident [of getting what they want without seeking for it]; [2] in regard to the young, to treat them tenderly [like a father or a teacher]." [3] In fact, this is the principle of universal love; none will be left behind unsatisfied. It is like heaven, covering everything. Charitable works cannot reach such an ideal, but they are moving in this direction.

[1] *Classics,* vol. i, p. 194.

[2] *Cf. Li Ki,* bk. xxiii, p. 257.

[3] *Classics,* vol. i, p. 183.

For the conduct of a Confucian, Confucius says: "Almsgiving and wealth-distributing is the diffusion of humanity." [1] Mencius says: "The imparting by a man to others of his wealth is called kindness." [2] When Hsun Tzŭ describes the characters of a scholar, he says that a scholar delights in diffusing his wealth to others, and he feels ashamed if he be rich alone.[3] Here we simply point out that private charity is the principle of Confucius, but we have no need to give the historical facts.

To-day, charitable institutions, great or small, are all over different localities. They are controlled by a body of private men, and maintained by voluntary contributions. But they are really quasi-public institutions, and far more important than the government institutions. Take those of Canton, for example. They carry their policy beyond the sphere of Kuangtung province, and assume the burden of inter-provincial tasks. Beside social works, they come into even political and industrial activities. They may have a great development in the future, provided that they have good men.

[1] *Li Ki*, bk. xxxviii, p. 409.

[2] *Classics*, vol. ii, p. 253.

[3] Bk. vi.

PART IV
PUBLIC FINANCE

BOOK IX. PUBLIC FINANCE

CHAPTER XXXII

Public Expenditures

I. THE TERM: PUBLIC FINANCE

Public finance deals with the revenues and expenditures of governments and is a part of economics. In China, public finance has occupied nearly the whole field of economics, because statesmen and scholars have given their attention mostly to it rather than to private finance. Therefore, when the Chinese use the term economics ("administering wealth"), the hearer may generally narrow its meaning to public finance. But in the Chinese language there is a special term for public finance—"national expenditures" (*kuo yung*). This term first occurs in the "Royal Regulations," and it is used by Ma Tuan-lin as the name of a book in his great encyclopedia.[1] It seems unscientific, because it indicates expressly only expenditures. But it includes revenue as well as expenditures, since there can be no expenditures without revenue. The reason why this term includes only expenditures is because it is characteristic of the Chinese language generally to avoid using more than two characters to express a single concept.

However, if we want to adopt a term more scientific than "national expenditures," we may use the more popular term "national accounting" (*kuo chi*). This term is very old,

[1] *General Research,* chs. xxiii-xxvii.

and it is used for the title of a book during the Tang dynasty. Or, we may use the word "accounting" only (*kuei chi*). This term is used by Confucius.[1] Furthermore, we may adopt the term "wealth and expenditures" (*ts'ai yung*), a better translation being revenue and expenditures. It occurs in the "Great Learning" and the "Doctrine of the Mean," and is spoken of by Mencius.[2] All these three terms may be used in the sense of the English term, public finance. The only difference among them is that, while the first denotes public finance only, the last two may be applied to both public and private finance.

II. NECESSITY OF PUBLIC FINANCE

The question may be raised, why should we have public finance at all? In other words, why should we have government? According to the theory of Hsü Hsing, the ruler should live individually by his own labor, and should not have granary, treasury, or arsenal. If a ruler has such things, he is an oppressor of the people for his own support.[3] Although Hsü Hsing was not an anarchist, his theory is that, while there is a government, there should not be public finance. This is an impossible ideal.

As we have seen, the government exists chiefly for the economic interest of the people. Now, if it is productive, why should they not support it? According to Confucius, government is the result of the division of labor, and public finances are necessary for the support of the public laborers. Mencius says:

There is the saying, "Some labor with their minds, and some labor with their strength." Those who labor with their minds

[1] *Classics*, vol. ii, p. 383.

[2] *Classics*, vol. i, pp. 380, 409; and vol. ii, p. 483.

[3] *Cf. supra*, p. 385.

govern others; those who labor with their strength are governed by others. Those who are governed by others support them; those who govern others are supported by them. This is a principle universally recognized.[1]

III. PROPER PROPORTION BETWEEN SOCIAL INCOME AND PUBLIC EXPENDITURES

Since public finance is necessary, we must ask, what is the proper proportion between the total social income and the part devoted to public expenditures. As the produce of the land is the chief source of income of the whole agricultural society, and the land tax is the only source of income of the government, we may say that, according to Confucius' system, the proper proportion is ten to one; that is to say, ten per cent of the total income should go to the state. This is a deduction from the taxing system of Confucius.

The tax of one-tenth is the standard of Confucius' system, which cannot be made heavier nor lighter. The *Spring and Autumn*, the *Great Commentary of the Canon of History*, and Mencius, all stick to this point. Not only a heavier tax than a tithe is bad, but also a lighter tax. Chieh, the last emperor of the Hsia dynasty, was a tyrant; if the tax took four-tenths or five-tenths, it should be called great Chieh; if two-tenths or three-tenths, it should be called small Chieh. Mo was a common name for the barbarous tribes on the north; if the tax took only one-fourteenth or one-fifteenth, it should be called great Mo; if one-twelfth or one-thirteenth, it should be called small Mo. In short, a heavier tax injures the people, so it is imposed only by a tyrant; and a lighter tax cannot defray the necessary expense, so it is found only among barbarians.

Pai Kuei said to Mencius: "I want to take only a twen-

[1] *Classics*, vol. ii, pp. 249-50.

tieth of the produce as the tax. What do you think of it?" Mencius said: "Your way would be that of the Mo. In a country of ten thousand families, would it do to have only one potter?" Pai Kuei replied: "No; the vessels would not be enough to use."

Mencius went on:

In Mo all the five kinds of grain are not grown; it produces only millet. There are no fortified cities, no edifices, no ancestral temples, no ceremonies of sacrifice; there are no princes requiring presents and entertainments; there is no system of officers with their various subordinates. On these accounts a tax of one-twentieth of the produce is sufficient there. But it is the Middle Kingdom that we live in. To banish the relationships of men, and have no administration of superior men—how can such a state of things be thought of? With but few potters a kingdom cannot subsist—how much less can it subsist without superior men?[1]

According to Confucius, the rule of taxation is not the lighter the better, and the rule of public expenditure is not the smaller the better. A tenth of the social income for public expenditures is the proper limit; above this the people are over-burdened, and below this the state is unable to develop its activities.

IV. GENERAL PRINCIPLES OF PUBLIC EXPENDITURES

The financial condition of the state is determined by its political conditions. Therefore, a statistical study of all the departments is necessary as the basis of making a budget. The "Royal Regulations" says:

The minister of accounts prepares the complete accounts of the year to be submitted to the emperor, which are reverently received by the prime minister. The grand director of music,

[1] *Classics*, vol. ii, pp. 441-3.

the grand minister of justice, and the minister of commerce, these three officers, follow the minister of accounts with the completed accounts of their departments to be submitted to the emperor. The grand minister of education, the grand minister of war, and the grand minister of works, reverently receive the completed accounts of their several departments from their various subordinates, and examine them, then presenting them to the emperor. Those subordinates then reverently receive them after being so examined and passed upon. This being done, the aged are feasted and the royal sympathy shown to the husbandmen. The business of the year is concluded, and the national expenditures are regulated.[1]

According to this statement, the national expenditure of next year is determined in the tenth month, when all the departments have reported their completed accounts to the emperor. It seems to identify the fiscal year with the calendar year, but the budget is really prepared two months in advance.

Again, the "Royal Regulations" says:

The prime minister must regulate the national expenditures toward the end of the year. When the five kinds of grain have all been gathered in, he then regulates the national expenditures. They should be according to the size of the territory, as large or small, and the returns of the year, as abundant or poor. On the average of thirty years, he regulates the national expenditures, controlling the outlay to make it conform to the income.

A tenth of the year's expenditures is for sacrifices. . . . A tithe of three years' expenditures is allowed for the rites of funeral. When there is not sufficient for the rites of sacrifices and funeral, it is owing to lavish waste; when there is more than enough, the state is described as affluent. In sacrifices there should be no extravagance in good years, and no niggardliness in bad.

[1] *Li Ki*, bk. iii, p. 239.

The conclusion is that he must regulate the national expenditures in such a way that the government has a surplus sufficient for ten years.[1]

The regulating of national expenditure is really the making of the budget. In the system of Confucius, the budget is prepared by the prime minister. Since the government is monarchical in form, the monarchy cannot be changed easily and frequently, except by peaceful deposition or by great revolution. But the monarchy is not always good, and the people may suffer from a bad ruler. Under such a government, Confucius gives the prime minister a great power, and makes him responsible for the whole administration. Although he is next to the emperor in name, he has the real power of the whole government—as was the case of Shun and Yao, Yü and Shun, Yi Yin and Ch'êng T'ang and T'ai Chia, Fu Yüeh and Kao Tsung, the Duke of Chou and Ch'êng Wang. This is somewhat like the responsible ministry of modern constitutional government. Therefore, the prime minister is empowered to prepare the budget, because he takes the political responsibility. Although there is no parliament to control the budget, it is better in the hands of the prime minister than in those of the emperor.

The principle that expenditure should be according to income is important. It has been recognized that this principle should be applied not only to public finance, but also to private finance. Since the modern development of the budgetary system, however, some people may think that it is good only for private finance, while in public finance this principle should be reversed—the income should be according to the outgo. This is quite a superficial view. From the constitutional standpoint, income is determined after

[1] *Li Ki*, bk. iii, pp. 221-2.

expenditure is decided upon; but from the economic standpoint, expenditure is always regulated by income. The budgetary system is simply a legal process; but, fundamentally, a budget never can go beyond the social income. In fact, social income is the basis and the regulator of public expenditure; hence this principle is quite correct.

Moreover, in ancient China there was no vote for the budget, nor for an increase in taxation. How could the government augment its income to meet its expenditures? To do so it would have to make use of its arbitrary power to tax the people. Of course, Confucius does not allow such a thing. Since he sets forth certain rules for taxation which cannot be freely increased, expenditure must be regulated by income.

Although expenditure is subject to income, it is still elastic. In the first place, a budget is determined according to the returns of the year. If the returns are abundant, the taxes which come from the produce of the field increase; hence expenditure may be raised. If the returns are poor, the taxes decrease; hence the expenditure may be cut down. This is elasticity depending upon the conditions of the particular year. In the second place, it takes the average of thirty years. Therefore, even when there are many successive good years, the government may keep the surplus without waste; and even when there are many successive bad years, it can defray the expense without difficulty.

There rises a question, why should the government keep a surplus sufficient for the use of ten years? In order to understand this rule, we must remind ourselves that ancient China was in the agricultural stage. In ancient times agriculture depended mostly upon nature. Both flood and drought might do great harm to the crops. Therefore, the crops were very uncertain, and the yield from taxation was

correspondingly irregular. Under such circumstances, if the government did not keep a surplus, how could it provide for the perpetual life of the state during a period of successive bad years? Therefore, in every three years there must be a surplus sufficient for one year. Taking this as the standard, by the end of thirty years the government should have a surplus sufficient for ten years. After the surplus has reached this amount, the government may remit the future taxes to the people, or may increase its expenditure by extending its functions or activities. The need for the surplus being understood, there is no danger that the surplus will do harm to the government by encouraging extravagance.

As we shall see, public finance in ancient times was mixed up with the private finances of the ruler. Therefore, economy was the chief principle. Confucius attaches great importance to this principle, as we have indicated above.[1] Passing through all ages to the present day, this principle has been recognized as the chief maxim of public finance. The *General Research on the Literature and Authorities of the Present Dynasty* makes "economy" the first section of the book of "national expenditures." In fact, economy is a very sound rule, which is specially important for a monarchical government.

In Chinese history, there are many emperors who practised this principle. But the most conspicuous representatives of this type are Han Wên Ti and Sui Wên Ti. They both began their reigns under very unfavorable conditions, but they made not only the government but also the whole empire rich. They taxed the people little, yet they spent liberally a great amount of money for the public welfare. The fundamental thing that allowed them to do

[1] *Cf. supra*, pp. 79, 361-2.

so was economy. They were frugal in their own expenditures. For example, Han Wên Ti did not dare to build an opened tower because it would cost one hundred pieces of gold coin. He was dressed in black silk, and his curtains and screens were not embroidered. Sui Wên Ti did not eat more than one meat, unless it was at a public banquet; and he did not allow the use of the cloth-bag for keeping dry-ginger, nor the woollen-bag for presenting incense.[1] They seemed too parsimonious, but they were like the type of Yü who was praised by Confucius as being frugal in personal expenditures and liberal in social expenditures.[2]

V. CLASSIFICATIONS OF PUBLIC EXPENDITURES

Although Confucius gives no classification of expenditures, we may deduce two classifications from his writings. But before we give these classifications, we should like to present the classification of the *Official System of Chou*, in order to show the ideas (and perhaps the actual conditions) of the ancient Chinese. According to this, there are nine classes of public expenditures: (1) expenditure for sacrifices, (2) expenditure for entertaining guests, (3) expenditure for funerals, and for famine relief, (4) expenditure for food and clothes of the imperial family, (5) expenditure for various works, (6) expenditure for ceremonial presents, (7) expenditure for keeping oxen and horses, (8) expenditure for general distribution to the officials and (9) expenditure for special gifts on certain occasions. These nine expenditures are separately supplied by the nine taxes which come either from different localities or from different objects. Each expenditure has its fixed standard regulated annually by the prime minister. Therefore, the expenditures of the

[1] *History of Han*, ch. iv; *History of Sui*, ch. xxiv; Ma Tuan-lin's remark in his *General Research*, ch. xxiii.

[2] *Cf. supra*, p. 243.

emperor are controlled by the prime minister and governed by laws.[1]

Such a classification, however, is incomplete. If we make an analysis, the first and part of the third are religious expenditures; the second and the sixth are social and diplomatic expenditures; part of the third is charitable expenditure; the eighth may be called general governmental expenditure, as a distribution of salary to officials; the fifth and the seventh may come under both the public expenditures and the private expenditures of the emperor, since the fifth may include the expenditures of public works and the seventh may include military expenditures; the fourth and the ninth are the private expenditures of the emperor.

If we want to make a classification of expenditures according to Confucius' theory, we may base our classification either on the "Great Model" or on the "System of Yao." According to the "Great Model," the classification will be:

I. Expenditure for economic functions.
   1. Agriculture.
   2. Industry and commerce.
II. Expenditure for religious services.
   1. Sacrifices.
   2. Funerals.
III. Expenditure for public works.
IV. Expenditure for educational functions.
V. Expenditure for judicial functions.
VI. Expenditure for social and diplomatic intercourse.
VII. Expenditure for military protection.

This classification is based on the eight objects of government given in the "Great Model." The first two objects are combined in the first class, while we add the word funerals to the second class.[2]

[1] Chs. ii, vi.

[2] *Cf. supra*, pp. 50-51.

According to the "System of Yao," the classification will be:

I. Expenditure for physical welfare.
   1. Public works dealing with the natural environment, such as water and earth.
   2. Agriculture.
   3. Labor.
   4. Natural resources, such as forests, animals and mines.

II. Intellectual and moral welfare.
   1. Education.
   2. Religion, including spiritual services and social entertainment.
   3. Music.

III. Expenditure for governmental business.
   1. Justice.
   2. Secretarial office.

This classification is based on the nine departments of the "System of Yao." [1]

These two classifications are quite similar to each other. The expenditures are mostly for the people, and not for the government itself. They both leave out the private expenditure of the monarch. It shows that Confucius does not ascribe much importance to the expenditure of the ruler.

So long as there is a monarch, however, he must make expenditures, and these form a part of public expenditures. In these two classifications, to what class should the expenditures of the monarch belong? His expenditures should be regulated by the prime minister, and the money is supplied by the department of the treasury. By these two classifications, there is no such department, because Confucius lays more emphasis on the side of the people than on that

[1] *Cf. supra*, p. 73.

of the state. But since this department is necessary, its function may be included in the department of agriculture (or, according to the "Great Model," it may be absorbed by the department of industry and commerce). Even in the Han dynasty, the secretary of the treasury department was still called "the great minister of agriculture." Therefore, these two departments are to be combined into one.

Between these two classifications there is only one great difference, that is, military expenditure.[1] As long as war has not been abolished, Confucius still recognizes that military protection is a necessary expenditure. Therefore, the army is one of the eight objects of the "Great Model." But the "System of Yao" represents the ideal society of Confucius, and there is no war at all. Therefore, it needs no military expenditure, and this classification is more advanced than the first one.

VI. CHARACTERISTICS OF THE PUBLIC EXPENDITURES OF THE ANCIENTS

We wish here to point out the marked features of the public expenditures of the ancients. First, in ancient times, the head of the government represented the sovereignty of the state, and his income involved the total revenue of the state. Therefore, there was no distinction between his private expenditures and public expenditures, and the former were parts of the latter. Or, we may even say that public expenditures were merely the greater parts of his private expenditures, because he was responsible for the public welfare and all public expenditures. All the heads of the government, whether the emperor, or the princes of the feudal states, or the great officials of the noble families—in short, anyone who owned the land of his

[1] Since the sixth class of the first classification is included in the religion of the second one, there is no great difference at that point.

domain, whether large or small—received the land tax as income, and this tax was the chief revenue of the whole government. Therefore, there was great confusion in the theories of public finance.

In the "Royal Regulations," however, a distinction is drawn between imperial and official expenditures, althought it is not clear. It is said: "The land tax from the first hundred miles square of the emperor serves to supply the needs of the various public offices; that from the rest of the thousand miles square is for the imperial expenditures." [1] This shows an advance in the principles of finance, because it separates the expenditures used in the various offices from those used by the emperor. But this separation is not complete, because imperial expenditures still involve a large part of public expenditures. The official expenditures used in the various offices are only the general expenditures common to all the different departments, in order to keep the offices going. The reason why the limited revenue which comes from the first hundred miles square only can supply the needs of the offices, will be explained by the next point.

According to the *Official System of Chou*, besides the great treasury which controlled all the revenues, there were the treasury of jade, the inner treasury, and the outer treasury. These three treasuries seemed to be separated from the great treasury, and supplied the expenditures of the imperial family, although they were mixed up with some public expenditures.[2] Therefore, since the Han dynasty, the government has always had two kinds of treasuries: one for public expenditures, and the other for the private expenditures of the emperor. The good emperor may use the private treasury for public expenditures, and the bad em-

[1] *Li Ki*, bk. iii, p. 212.

[2] Ch. vi.

peror may use the public treasury for private expenditures. This is the sign of a government, either good or bad.

Second, the salaries of the officials included the administrative expenditure of their offices. Just as the income of the head of the government included the general expenditure of the state, so the income of the officials included the particular expenditures of their departments. There were two kinds of officials: most of the high officials were granted the public land and collected the land tax at a certain rate for their salaries, the other or low officials received salaries directly from the government. In both cases they were responsible for their administrative expenditure. Therefore the land tax from the first hundred miles square might be sufficient to supply the general needs of the various offices. If the officials were good, they spent liberally of their salaries for the public expenditures; if they were bad, they did the opposite, for their personal use, but they might lose their offices. The salary of the officials was the chief item of public expenditures, because it included administrative expense; but its larger part was not paid out by the public treasury at all, because the land tax which belonged to the officials went directly to them.

Among the nine standard rules of a government, Confucius gives the fifth as "kind and considerate treatment of the whole body of officers." As to the details and purpose of this rule, he says: "According to them a generous confidence, and making their salaries large: this is the way to encourage the body of officers." [1] In fact, when the officers do not own any public land and receive salaries directly from the government, Confucius advocates the principle of giving them large salaries. For the salary-system of Con-

[1] *Classics*, vol. i, pp. 408-410.

fucius, we have already referred to Mencius and the "Royal Regulations." [1]

Third, the military expenditures were small in comparison with modern times. (1) There was no special class called soldiers. All the men at a certain period of life were soldiers, so there was no need of expenditures for the support of a standing army. (2) The people furnished much of their own equipment for military service, while the government paid neither salaries nor wages. (3) There was no transportation of food. When the army went out, the men carried some food, but except for this, it was supported by the feudal states through which it passed or in which it stayed. Therefore, military expenditures were not an important part of public expenditures, and it was chiefly for this reason that only a small amount of public revenue was needed.

Fourth, religious expenditures were too great. The ancients spent a large part of public money for the service of spiritual beings, and such expenditures were really private expenditures of the monarch. In the "Royal Regulations," Confucius sets the limits to such expenditures, as we indicated above. Since sacrifices are regular, the expenditure for them is limited to a tenth of the total expenditure of one year; and, since funerals are irregular and infrequent, the expenditure for them is confined to a tenth of that of three years. Although the expenditure appropriated for funerals is greater than that for sacrifices, the former is really smaller than the latter when we compare them through a period of years. But, during the time of mourning, most of the sacrifices are omitted. This is one reform of Confucius. Yet, according to his ideals, the limits for the religious expenditures set forth in the "Royal Regulations" are

[1] *Cf. supra*, pp. 491-3.

still too large. In fact, they serve as a check for the ancients only, and they should be narrowed to the smallest limit as society progresses.

In conclusion, we may say that the chief part of public expenditure is shifted according to the Three Stages: In the Disorderly Stage, the greater part of public expenditures is spent for the monarch himself, including religious expenditures; in the Advancing Peace Stage, for the state, military expenditures being the chief item; and in the Extreme Peace Stage, for the people, the fostering of their physical, mental and moral welfare being the chief aim. This is the principle of the Three Stages of Confucius. And we may judge the nations or ages by this standard and see in which direction they are tending.

CHAPTER XXXIII

Taxation in General

Some of the socialistic policies which we have discussed provide special sources of public revenue. But, according to the principles of Confucius, those policies should be adopted not for the sake of getting revenue, but for that of distributing equal wealth to the people. Therefore we shall not consider them in our discussion of sources of revenue. Under this head we shall take up only taxes..

I. Development of Taxation in the Earliest Times

Some information in regard to the development of taxation is given by the terms applied to the tax systems of the Three Dynasties. According to Mencius, the tax system of the Hsia dynasty was called *kung*, "tribute;" that of the Yin dynasty, *tsu*, "assistance;" and that of the Chou dynasty, *ch'ê*, "assessment." Mencius does not explain the word *kung*, because it is clear by itself. He comments on the other two words as follows: "*Ch'ê* means an exaction [from the people], and *tsu* means dependence [of the government]." [1]

During the Hsia dynasty, when the central government was first well organized, the people were glad to pay their tax as a present. Hence the tax system was called *kung*, a voluntary gift of the people to the government. During the Yin dynasty, the people felt that they were doing the government a favor. Hence it was called *tsu*, an assistance of

[1] *Classics*, vol. ii, pp. 240-241.

the people for the government, or a "dependence" of the government upon the people. During the Chou dynasty, the government had the independent power to tax the people. Hence it was called *ch'ê*, a universal assessment upon the land, and a compulsory exaction from the people. It is interesting to see that these three terms are sufficient by themselves to indicate the historical development of the tax system.[1]

Although the system of the Chou dynasty reached the highest development, the Confucians preferred the system of the Yin dynasty. The "Royal Regulations" says: "Anciently, the public fields were cultivated by the united labors of the farmers, who paid no tax from the produce of their private fields."[2] Mencius says: "If a ruler require the farmers' assistance for cultivating the public fields, and exact no other taxes from them, then all the farmers of the world will be pleased, and wish to plough in his fields."[3]

The reason why the Confucians preferred the system of Yin grows out of their concern for the good of the people. When the people render their labor to the public fields without paying other taxes, it does not necessarily mean that they would neglect their duty. On the contrary, if there were a good government, they would care first for the public and then for their private interests. The *Canon of Poetry* says: "May it rain first on our public fields, and then come to our private!"[4] This is the sentiment of unselfish people under a good government. Therefore, *Ku-liang's Commentary* says: "When the crop of the private fields is not good, the officials should be blamed; when that of the

[1] *Cf.* Seligman's *Essays in Taxation*, pp. 5-7.

[2] *Li Ki*, bk. iii, p. 227.

[3] *Classics*, vol. ii, p. 200.

[4] *Ibid.*, vol. iv, pt. ii, p. 381.

public fields is not good, the people should be blamed." [1] The former case shows that the officials urge the people to work especially for public interest and leave out private onest while by the latter is meant that the people pay special attention to private and neglect public interests. Therefore, the system of assistance or services binds the government and the people as one body. The government should look after private, and the people after public interests. This is the socialistic idea of Confucius.

His principle is like the political philosophy of the West, "no taxation without representation." For, by the "assessment" system, the government has arbitrary power, and the people are merely tax-payers; but by the "assistance" system, the government is a dependent, and the people are the assistants. Therefore, Confucius makes the latter, from his philosophical point of view, a model tax system, irrespective of the fact that the former is, historically, a more developed form. To-day, in the constitutional governments whose people control taxation, there is fundamentally the same principle as that of the "assistance" system advocated by Confucius.

Furthermore, a tax system should accord with the ability of the people. Mencius quotes a statement of Lung Tzŭ, an ancient worthy, as follows:

For regulating the lands, there is no better system than that of assistance, and none is worse than that of tribute.[2] By the tribute system, the regular amount of taxation is fixed by taking the average of several years. In good years, when the grain lies about in abundance, much may be taken without its being oppressive; but the actual exaction is small. In bad

[1] Fifteenth year of Duke Hsüan.

[2] What Lung Tzŭ means by the system of tribute is not the system of the Hsia dynasty, but the practice of the period of Warring States.

years, the produce being not sufficient to repay even the manuring of the fields, this system still requires the full amount. A ruler is the parent of the people. But the people are made to wear looks of distress, that they, after the whole year's toil, are not able to nourish their parents. Furthermore, they are obliged to borrow money at one hundred per cent interest to remit their deficit due to the paying of the tax. Owing to this, old people and children are found lying in the ditches and water-channels. Where, in such a case, is his parental relation to the people?[1]

Now, according to the system of "assistance," the government requires no regular amount of tax from the people, and the people pay taxes in accordance with their annual condition. It is the same principle as that of the modern budget which is renewed every year. In short, the system of "assistance" conforms to the faculty theory.

In Chinese economic history, however, outside of the tax systems of the Three Dynasties advocated by the Confucians, all the tax systems of different dynasties prescribe a fixed amount—an amount not only of the average of several years, but also of a custom of several centuries. This is opposite to the principles of Confucius.

II. SOURCES OF TAXATION

The sources of taxation are not in the government itself, but in the people. Therefore to enrich the people is the way to increase taxation. When Duke Ai of Lu asked Confucius about government, he replied: "There is a policy which makes the people rich. . . ." "Why?" asked the Duke. "By lightening the taxes," replied Confucius, "the people will be rich. . . ." "If so," said the Duke, "I myself shall be poor." Confucius said: "It is said in the *Canon of Poetry*, 'The happy and courteous sovereign is the parent

[1] *Classics*, vol. ii, p. 241-2.

of the people.' I have not seen that the parents are poor when their sons are rich." [1] This conversation indicates the relation between the government and the people, and shows that the social income is the real criterion of the burden of taxation.

One day Duke Ai inquired of Yu Jo, saying: "The year is one of scarcity, and the returns for expenditures are not sufficient: what is to be done?" "Why do you not simply tithe the people?" replied Yu Jo. "With two-tenths," said the Duke, "I find them not enough; how could I do with that system of one-tenth?" Yu Jo answered: "If the people are rich, who will make the ruler alone in want? If the people are in want, who will make the ruler alone rich?" [2] Indeed, to enrich the people is the only way of enriching the government, and to lighten taxation is the most important policy of giving the people the means of developing their economic interest.

The principle of Confucius is like that of Hales, who says: "A king cannot have treasure when his subjects have none." Hsun Tzŭ says: "When the people are poor, the government is also poor; when they are rich, it is also rich." [3] Therefore, the social income is the source, and taxation is only its flow.

The condition of a state can be judged by the policy of taxation. Hsun Tzŭ says:

One who can become an emperor, is to enrich the people in general. One who can become a leader of the feudal princes, is to enrich the soldiers. The state which scarcely stands intact, is to enrich the great officials. The state which is ready to ruin, is to enrich the baskets and to fill the treasuries. When

[1] *Park of Narratives,* bk. vii.

[2] *Classics,* vol. i, p. 255.

[3] Bk. x.

the baskets have been enriched and the treasuries have been filled, the people are impoverished; it is so-called "overflowing above but running away at the bottom." Such a state cannot defend itself at home, nor engage in war abroad. It is simply waiting for its immediate fall.[1]

In 1345 A. K. (794 A. D.), Lu Chih gave a good theory of taxation. He said:

To create offices and to establish government is for the end of nourishing the people. To tax the people and to get revenue is for the means of supporting the government. A wise ruler does not increase the means at the expense of the end. Therefore, he must first pay his attention to the business of the people, and give them a full chance for their economic activities. He must first enrich every family, and then collect the surplus of their income.[2]

This statement points out why government should be established, why the people should be taxed, and how the tax can be collected. In fact, the existence of the government is for the benefit of the people at large, the justification of taxation is for the defraying of governmental expenses, and the paying of taxes is dependent on the ability of the people.

III. DOCTRINE OF THE LIGHT TAX

Since the people are the tax-bearers, and the amount of taxation is dependent on the social income, Confucius advocates the doctrine of the light tax. We must remember that feudalism existed during his time. The princes taxed the people at their will, and did not concern themselves much about the welfare of the people. Therefore, the

[1] Bk. ix.

[2] *General Political History*, ch. ccxxxiv.

lighter the tax system was, the better. Confucius said to his prince, Duke Ai: "Employing them only at the proper times, and making the imposts light, this is the way to encourage the people." [1] Mencius says: "By teaching the people to cultivate their land well, and making the taxes light, the people may be made rich." [2] Indeed, the light tax is an important economic principle of Confucius, because it retains the wealth in the hands of people, and helps the development of their economic interest.

During the feudal age, the monarch was the chief consumer of the public revenue. To increase public revenue was to do harm, rather than good, to the people. Hence, Confucius strongly condemned the public financier.

Jan Yu distinguished himself by his economic statesmanship. He said to Confucius: "Suppose a state of sixty or seventy miles square, or one of fifty or sixty miles square, were governed by me for three years, I could make the people rich." [3] Confucius also recognized his statesmanship.[4] But when Jan Yu became the chief officer of the head of the Chi family, who was richer than the Duke of Chou had been, and collected his imposts for him, Confucius reproved Jan Yu: "He is no disciple of mine. My little children, beat the drum and assail him." [5] Mencius comments: "Looking at the subject from this case, we perceive that when a ruler is not practising benevolent government, all his officials who enrich him should be punished by the law of Confucius." [6] Jan Yu was a great disciple of Confucius, so his collecting of imposts would not be in an unjust way. He increased the revenues through his administrative ability. But this was bad enough, because

[1] *Classics*, vol. i, p. 410.
[2] *Ibid.*, vol. ii, p. 462.
[3] ***Ibid.***, vol. i, p. 247.
[4] *Ibid.*, p. 175.
[5] *Ibid.*, pp. 242-3.
[6] *Ibid.*, vol. ii, p. 305.

Confucius did not like to enrich a ruler who was not an ideal one.

Mencius gives a strong condemnation of public financiers as follows:

> Those who nowadays serve their rulers say, "We can for our rulers enlarge and develop the cultivated land, and fill their treasuries and arsenals." Such persons are nowadays called "good ministers," but anciently they were called "robbers of the people." If a ruler does not follow the right way, nor has his mind bent on benevolence, to seek to enrich him is to enrich a Chieh.[1]

Under the influence of Confucius, the public financiers of different dynasties have been unfavorably criticized. The term "collecting imposts" has become an odious term. On the whole, such a spirit is good, because the Chinese government is monarchical in form, and the court is still the chief consumer of public revenue. When the emperor is good, a small amount of taxes is sufficient, and the nation is also prosperous. When the emperor is bad, especially extravagant, even a large revenue cannot suffice, and the nation is impoverished. Therefore, the teachings of Confucius help the people a great deal in their economic life.

However, the Chinese have carried this point a little too far, and it has retarded the science of finance. Generally, when the government needs more money, the times are not good, especially if a war is in progress. Hence, the people have an impression that the increase of taxation is a bad thing. But as soon as there is need of money, we cannot avoid enlarging the revenue, and the tax system, together with all details, is very important for the national life. If we pay attention to it, we may get a better result; if we

[1] *Classics,* vol. ii, pp. 440-441. For Chieh *cf. supra,* p. 607.

ignore it, we must perish as a nation. Since the Chinese scholars are afraid of talking about money-making, even for public use, China is hampered in the natural development of her financial system. Even when good systems have been originated, they have been abolished or suspended, or at least unjustly criticized.

The fundamental obstacle to the development of the financial system is the form of government. So long as the government is monarchical in form, and the monarch has the greatest power over the public treasuries, the Chinese never appreciate the increase of revenue. The financial system will not be developed to full extent until the establishment of a true constitutional government in the future.

IV. GENERAL PRINCIPLES OF TAXATION

Mencius gives a comprehensive statement covering all the principles of taxation. He says: "A worthy ruler will be gravely complaisant and frugal, showing a respectful politeness to his ministers, and taking from the people only in accordance with certain regulations." [1] This statement is quite general—in short, there must be certain regulations of taxation in order to check the arbitrary power of the government; and all the regulations must be harmonious with the principles, because the regulations are based upon the principles.

The first principle of taxation is equality—a tax must be equally imposed on everyone and in whatever place. It is illustrated in a poem of the *Canon of Poetry*. This poem was written by a great official of the imperial state, who came from T'an, one of the smaller states of the East, showing the inequality of taxation between the East and the West, the imperial state. The most important sentence of

[1] *Classics*, vol. ii, p. 240.

this poem is: "The way of Chou is like a whetstone." It means that the tax system of the Chou dynasty was as equal as a whetstone, contradicting the present condition of the author. Then he describes the misery of the East with the following stanza:

> In the states of the East, large and small,
> The looms are empty.
> Thin shoes of dolichos fibre
> Are made for walking on the hoar-frost.
> Slight and elegant gentlemen
> Walk along the road of Chou.
> Their going and coming
> Makes my heart ache.

Having devoted another stanza to describing the restless hardship of the East, he contrasts the economic condition of the East and that of the West as follows:

> The sons of the East
> Are charged only with heavy burdens without encouragement.
> The sons of the West
> Shine in splendid dresses.

It is evident that the East is poor and the West rich, and that unequal taxation is unjust.[1] In short, a system of taxation must be as equal as a whetstone.

In the *Canon of Poetry* there is a passage: "The pitcher has been exhausted; it is the shame of the jar."[2] Chêng Hsüan explains this passage by the tax system. K'ung Ying-ta explains Chêng's theory as follows:

It means that this is the shame of the drinker who takes charge of the jar. The large jar is like the rich and large family; the small pitcher, the poor and small family. If both the jar and the pitcher are arranged for drinking, one should drink more

[1] *Classics*, vol. iv, pt. ii, pp. 353-4. [2] *Ibid.*, p. 351.

from the jar and less from the pitcher until both are exhausted; this is the pinciple of equality. It is just the same principle as that of taxation: when both the rich and the poor are taxed, in money as well as in labor, one should tax the rich more and the poor less, up to the point that both can bear the burden; this is also the principle of equality.

Although such explanation may not be the original meaning of the text, it is the theory of taxation of the Confucians. According to Chêng and K'ung, a tax should be progressive rather than proportional, because it should put the rich and the poor on the same footing in accordance with their ability.

The second principle of taxation is universality—a tax must reach everybody. This principle is illustrated by a poem of the *Canon of Poetry*. As we shall see that personal service is one kind of taxes, this poem speaks of this duty. It was written by an officer who complains of the arduous and continual duties unequally imposed upon him, and keeping him away from his duty to his parents, while others are left to enjoy their ease. We may select from it three stanzas, as follows:

Under the wide heaven,
All is the king's land.
Within the sea-boundaries of the land,
All are the king's citizens.
His great officials are unfair,
Making me serve as if I were the only one having ability.

My four horses never halt;
The king's business allows no rest.
They praise me as I am still not old;
They think very few are as vigorous as I.
While the backbone retains its strength,
I must plan and labor in all parts of the kingdom.

> Some enjoy their ease and rest,
> And others are worn out in the service of the state.
> Some rest and loll upon their couches,
> And others never cease to march forward.[1]

Although this poem speaks only of personal duties, it points out clearly the principle of universality. Indeed, any kind of taxes must be based on universality, preventing anyone's escaping from supporting the state.

Although universality is the general principle of taxation, there are some exceptions. Take for example the land tax. Mencius says: "From the highest officers to the lowest, each one must have his 'holy field,' consisting of fifty acres." [2] The "Royal Regulations" says: "No tax was levied from the 'holy field.'" [3] The holy field was assigned to the families of the officials for the sacrifices to their ancestors. It served as a social distinction for worthy men, so it was exempted from taxation.

In the social system of Confucius there are two classes, the governing class and the governed. The governing class being the salaried class, pays no land tax. Their salaries come from the produce of the land, which is paid by the farmers as tax. The governed class is the only class of taxpayers who receive public land from the government and pay one-tenth of its produce to the government as tax. Therefore, the members of the former class are called superior men; those of the latter, country-men. Mencius says: "If there were no superior men, there would be nobody qualified to rule the country-men. If there were no country-men, there would be nobody having ability to support the superior men." [4]

[1] *Classics*, vol. iv, pt. ii, pp. 360-2.

[2] *Ibid.*, vol. ii, p. 244.

[3] *Li Ki*, bk. iii, p. 227.

[4] *Classics*, vol. ii, p. 244; *cf.* also *supra*, pp. 606-7.

In fact, according to the Confucians, the land tax is practically the only tax. Because the officials do not cultivate the land, they are not required to pay land tax. Although they receive the land tax as their salary, such an income is the compensation paid by the state for their service, so that it is not subject to taxation. Besides the officials, even the common people employed in the government offices do not pay the land tax, because they cultivate no land. This shows that the officials really do not get any special privilege, and that the exemption of fifty acres of the "holy field" of each official does not affect the principle of universality.

Take personal service for another example. While common people are required to serve the state physically, officials serving the state mentally are exempted from physical service. However, all officials, whether high or low, are responsible for military service in time of war. Therefore, the partial exemption of officials from physical labor, such as the different kinds of public works, does not affect the principle of universality.

Moreover, under Confucius' system, these two classes are interchangeable. It is not a system of caste, but a division of labor. It simply gives just reward to the higher class, and inspires the ambition of the lower class, because anyone can get the same exemption as soon as he raises himself to the higher class. To-day, there is no distribution of public land nor any personal service; everyone is on the same footing. Therefore, the tax system is apparently quite universal.

V. CLASSIFICATION OF TAXES

As to the classification of taxes, there is a complete statement of the tax system given in *Elder Tai's Record.*[1] Confucius says:

[1] Bk. xxxix; *cf. Li Ki,* bk. iii, p. 227.

Formerly, the wise kings inspected the travelers at the custom houses, but did not levy duty upon commodities. They established public warehouses in the market-places, but did not tax commodities. They taxed one-tenth of the produce of the land. They employed the labor of the people not more than three days in one year. The entering into the mountains and the meres by the people was limited to the proper times by regulations, but not by tax. All these six things [custom-houses, market-places, land, personal labor, mountains and meres], may be regarded as the ways of getting revenue. But the wise kings taxed only two things [land and personal labor], in a moderate way, leaving the other four untaxed.

From this statement of Confucius we know that there were six kinds of taxes in his time. But according to his idea, there should be only two kinds of moderate taxes.[1] His fundamental point is to abolish all kinds of indirect taxes.

There is another passage given by Confucius describing the tax system of the ancient kings, which is arranged according to the ability to pay. He says:

The ancient kings, having regulated the land, required labor from the people to cultivate the public fields as a tax on their private fields in accordance with their strength; and the location of their residence from the public fields was also made equal in distance. They taxed the ground of their residence according to their income, but the general condition of each family was also taken into consideration. They made the people serve in the public works according to the number of men, but the old and the young were exempted. Moreover, widowers, widows, orphans and sick persons, were exempted from these three taxes, except in time of war. Even in time of war, the total amount of annual tax paid by nine hundred acres of land was not over six hundred and forty bushels of

[1] The ground tax of the house is included in the term land tax.

the whole plant of the grain, two hundred and forty pecks of straw, and sixteen pecks of rice.[1]

According to this statement of Confucius, there are three kinds of taxes. One is the land tax; another, the ground tax; and the third, a tax in the form of personal service. The ground tax needs a little explanation. As silk is made by women from the mulberry trees grown around the house which is on public land and under public control, the ground of the house is required to pay hempen-cloth or silk. This is a contribution of the women just as the land tax paid in grain is a contribution of the men. This is also a tax on income derived from the ground. Therefore, the general condition of the family, rich or not, should be considered. Under such a consideration, it is not a tax on gross income, but on net income, because, when the poor family has no net income left, it is exempted. This tax has become the family tax in later times, known as the "door tax," a tax on property and income.

These three kinds of taxes should be required at different times. The ground tax paid in cloth and silk is required in summer; the land tax paid in grain, in autumn; and the personal-service tax, in winter. Mencius says:

There are exactions of hempen-cloth and silk, of grain, and of personal service. The superior man in the government requiries but one of these at once, deferring to collect the other two. If he require two of them at once, then the people die of hunger. If he require the three at once, fathers and sons are separated.[2]

During the Chou dynasty, when the common laborer

[1] *Narratives of Nations,* bk. v.

[2] *Classics,* vol. ii, p. 491.

under his employment could not render the public personal service, he was required to pay money as the poll tax (*fu pu*); and, when nothing was planted around the house, money was required as the ground tax (*li pu*). These were justifiable. But in Mencius' time the princes required the poll tax from the people even though they had served the public labor, and the ground tax from the houses even though they had already contributed silk and cloth. It meant that the person and the ground were taxed twice. Therefore, Mencius said: "If, in the residential districts, a ruler did not impose the poll tax and the ground tax paid in money, then the people of the world would be pleased, and wish to become his citizens." [1]

In China there is no legal separation of local from national revenue. Every tax is national. It is simply collected by local officers who are appointed by the central government. The local officers have no legal power to impose or expend any tax at all, except one approved by the emperor through the recommendation of the minister of finance.

However, as a matter of fact, there has always been a division of local and national revenue. We shall see that such a division began at the time of Yü.[2] During the reign of Tang Hsien Tsung (1357-1371, or 806-820 A. D.), the revenue of the whole empire began to be divided into three parts—one for the central government, one for the provincial government, and one for the prefecture. The Sung dynasty did the same way. Even at the present day, there are two parts of revenue—one is reserved for the defraying of local expenditures, and the other sent to the central government. Therefore, we may say that China has

[1] *Cf. Classics,* vol. ii, p. 200. Since the ground tax is only a subordinate of the land tax, we shall not discuss it any farther.

[2] *Cf. infra,* pp. 639-640.

the principle of separating local from national taxes. But it is a separation only of uses, not of sources. This has caused great trouble in the financial system. Although the Chinese government has been a centralized government since the Hsia dynasty, its practices become a decentralized government because the sources of taxation are not separated. However, it is promised that they shall be separated during the present year.

Since China has no separation of the sources of taxation,[1] we shall classify the taxes not into national and local taxes, but into direct and indirect taxes.

[1] In reality, China has a separate category of local taxes. Besides the local officers illegally collecting imposts, the people themselves assess and collect the true taxes for the local welfare. In the country towns, they are controlled by the gentry and the elders; in the cities, by the merchants. They are justly imposed, and their administration is efficient and democratic. Hence the people do not even know that they are taxes, and they are not called taxes.

CHAPTER XXXIV

Direct Taxes

I. LAND TAX

1. *The Oldest System of Land Tax Described by Confucius*

Although the land tax began with Huang Ti, there is no older system than that of the "Tribute of Yü," and this system is authorized by Confucius. According to the "Tribute of Yü," the land of the nine provinces is classified into nine grades; and the amount of tax to be collected from these nine provinces, into nine degrees. These grades and degrees are intended to afford merely a rough method of classification and do not correspond in individual cases. Thus, within any province, all the land cannot very well be of the same grade, and the tax, therefore, cannot be of the same degree. The grades of land and the degrees of tax are merely averages. Moreover, taking a province as a whole, the degree of tax does not necessarily correspond with the grade of land. For, if the cultivation of the people is good, the one-tenth tax on the lower grade of land will afford more revenue; when it is poor, the one-tenth tax on the higher grade will afford less. Although the amount of tax of the nine provinces varies in nine degrees, the rate of tax, it must be clearly understood, is uniform throughout the whole empire, that is, one-tenth. It is because the territory of each province and its population differ from those of the other provinces that its contribution to the total tax fund must be different.

There is a significant principle in the "Tribute of Yü," that is, the distinction between the central and the local taxes. Both the central and the local governments tax the land at the same rate, yet there is a distinction.

In the imperial province, Ki Chow, the tax is paid in kind. Five hundred miles constitute the "imperial domain," that is, five hundred miles from the capital as a center to the north, south, east and west; or, in other words, a square of 1,000 miles, making the imperial domain equal to an area of 1,000,000 square miles. In fact, the imperial domain is divided up on each side of the capital into five zones, each having the same width, namely, one hundred miles. From the first hundred miles, the people bring, as tax, the whole plant of the grain; from the second, they bring the ears; from the third, they bring only the straw, but attend to the transportation of the grain which comes from the fourth and the fifth hundred miles; from the fourth, they give the grain in the husk; and from the fifth, the grain cleaned.

This is, of course, a primitive system of taxation, but its principle is admirable. Since the first zone surrounding the capital is the nearest, they bring the whole plant. The second is a little farther away, so they bring only the ears. The third is still farther, so they bring only the straw without grain; this is least valuable of all, but they give also personal service. The fourth is much farther, so they give the grain in husk; and the fifth is the farthest, so they give only the grain cleaned. From the first zone to the third, they all bring the produce to the capital themselves; but the fourth and fifth do not bring the grain to the capital, but convey it only to the third zone. This is the principle of justice. The contributions of different zones are arranged with reference to their distance from the capital and the resulting labor of transportation. The plan takes both the

amount of taxation and the cost of transportation into consideration, and aims to make all the people bear the same burden.

This system of taxation in the imperial domain is the standard for the whole empire. The princes of different feudal states tax the land in the same way, so that the " Tribute of Yü " does not give the details in the states. But what marks the difference between the central and the local taxes is that, the local tax paid to the central government by the princes is not in kind, but in value.

The princes tax the people at the rate of one-tenth. Besides retaining a part of it for the expenditure of their states, they pay a certain part of the total amount of land tax to the imperial government. The great states pay one-half; the middle class of states, one-third; and the small states, one-fourth. The princes take the sum of the fixed amount to buy the principal articles of their states, and send them to the imperial capital. Such payment, known as " tribute," is a part of the local tax due to the central government. While the imperial province pays its tax in kind directly to the government without sending tribute, all the other eight provinces pay no other tax, except the tribute, which is itself a tax.

All the tribute goes to the government factories. However, some of the tribute is put in baskets of bamboo, which go to the female factory. Hence there is a distinction between the tribute in general and the " baskets " in particular. For the convenience of our readers, we shall make a table showing the different articles paid as tribute or baskets by the provinces and the barbarous tribes. From the following table we can imagine the economic development during the Yü dynasty (1704-1655 B. K. or 2255-2206 B. C.).

LIST OF COMMODITIES SENT AS TRIBUTE

Provinces	Taxes		Contributions not Taxes
	Tribute	Baskets	Tribute from the Barbarians
Ki Chow.	——	——	Dresses of skins from the barbarians of the islands.
Yên Chow.	Varnish, silk.	Woven ornamental fabrics.	——
Ts'ing Chow.	Salt, fine grass-cloth, various productions of the sea, silk, hemp, lead, pine-trees, and strange stones, from the valleys of the Tai.	Silk from the mountain mulberries.	——
Sü Chow.	Earth of five different colors, variegated feathers of pheasants from the valleys of the Yü, solitary dryandra from the south of Mount Yi, sounding stones that seem to float near the banks of the Sze.	Deep azure silks, checkered silk with a black warp and white woof, and fabric white and unornamented.	Oyster pearls and fish from the barbarians about the Hwai.
Yang Chow.	Gold, silver, copper, *yao* and *kun* stones, bamboos small and large, ivory, hides, feathers, hair, and timber. Small oranges and pummeloes rendered when required.	Woven variegated silks.	Garments of grass from the barbarians of the islands.
King Chow.	Feathers, hair, ivory, hides, gold, silver, copper, *ch'un* tree, wood for bows, cedars, cypresses, grindstones, whetstones, stones for arrow-heads, cinnabar, three-ribbed rush. *Ch'un* and *lu* bamboos, *ku* tree, rendered when required. Great tortoise presented when caught.	Deep azure and purple silken fabrics, and white strings of pearls that are not quite round.	——
Yü Chow.	Varnish, hemp, finer hempen cloth, coarser hempen cloth. Stones for polishing sounding-stones rendered when required.	Fine silken fabrics, and fine floss-silk.	——
Liang Chow.	Musical gem-stones, iron, silver, steel, stones for arrow-heads, sounding-stones.	——	Skins of bears, great bears, foxes, and jackals, and articles woven with their hair, from the barbarians of Hsi-ch'ing.
Yung Chow.	*Ch'iu* and *lin* gem-stones, and the *lang-kan* precious stones.	——	Hair-cloth and skins from the western barbarians.

From this table we learn that there are two knids of people: the civilized and the barbarian. The nine provinces are divided into five domains, namely, (1) the imperial domain, (2) the domain of the nobles, (3) the peace-securing domain, (4) the domain of restraint, and (5) the wild domain. Each domain consists of one thousand miles square, and the five domains amount to five thousand miles square. The first three domains are called Middle Kingdom, and the last two, the barbarians. Beyond the five domains, all the territories still belong to the nine provinces. Those regions without the nine provinces are occupied by the barbarians and called "Four Seas." These are the political divisions of ancient China, and they form the basis of taxation.

Within the Middle Kingdom the land is divided into *tsing tien*, and the people pay a regular tax at the rate of one-tenth of their produce. All the fields are classified with reference to their soils into three classes, which are subdivided into nine classes. The classification of the soils forms the basis of the degree of tax. In fact, the amount of tax must be in accordance with the soils; this is the principle of faculty, or ability to pay.

The lands occupied by barbarians, whether within or without the nine provinces, are not divided into *tsing tien*, and the barbarians are not required to pay regular taxes. Those who live in the nine provinces, are the subjects of the empire, and are obliged to send tribute. Those who live in the "Four Seas," are not imperial subjects, and send tribute only as an acknowledgment of the supreme civilization. All the barbarians send their tribute by the different waterways which are used by different provinces.

The tribute from the different provinces consists mostly of native products. The articles distinguished by the names of particular localities such as silk, hemp, lead, pine-trees

and strange stones from the valleys of the Tai, variegated feathers of pheasants from the valleys of the Yü, *etc.*, must be products of these localities. When a state is located out of such localities, it should, therefore, buy these articles from the neighboring states, and send them as its tribute. In this way a state which has no distinguishable product, is still held to the obligation of sending tribute. This system proves that there was a certain degree of commercial development.

The sending of tribute instead of agricultural products is really an advancement of civilization. Because the imperial domain is near the capital, the people pay produce instead of tribute; and because the other four domains are far from the capital, the people pay produce to the local governments of their states, and the princes convert them into tribute and send it to the capital. This is for the convenience of both the people and the princes, and has the advantage of saving the cost of transportation. It was this that Sung Shên Tsung referred to when he said that the "Tribute of Yü" conforms to the idea of the system of "equal transportation." [1]

The question naturally arises, why the princes should not send money instead of tribute, since money would be still more convenient. In all probability the economic development of that time had not yet reached the stage of money economy. Even if it had, however, there were also other reasons for sending tribute. First, the government was the greatest consumer of the whole empire, and it needed all the varied things which came as tribute. Secondly, since the government was the only large single consumer, and the general economic condition of the people was still very low, the government would find it very difficult to buy such

[1] *General Research,* ch. xx.

things from the merchants, since they would not bring many of them to the imperial capital, there being no commercial demand for them to make this profitable. Therefore, if all the provinces had sent money instead of tribute, it would have been of less use to the government than the tribute, because the government would have been unable to convert the money into the articles which it needed. Thirdly, money was not generally used in a large amount by the people, so the princes could more easily secure the articles than collect money from their subjects. Fourthly, even if they could collect a large sum of money, it would not have been good for the provinces to send away their circulating money to the imperial capital, since the money circulating in their markets was small in amount. Nor would it have been good for the capital to receive the additional money from all the provinces, as this would have raised the prices in its markets. In short, we must remember that there were no bills of exchange, so money if sent at all, would have to be sent in cash, and that, since the feudal states were semi-independent, and the central government did not generally spend money outside of the imperial domain, no exchanges were made. Therefore, the sending of money would really not have been a good policy. Although the paying of taxes in tribute is not so highly developed a form of taxation as paying them in money, it is still a great advance, since there is a conversion of the tax paid in kind into the tax paid in value, which is represented by the tribute.

In Chinese economic history there are two institutions contrary to the principles of the " Tribute of Yü." The one is the canal-transportation of rice from the provinces to the capital. According to the " Tribute of Yü," only the imperial domain pays agricultural products as taxes, while other provinces send only their tribute. In fact, the capital

depends upon its own domain for its food supply, and does not require the farther provinces to transport their rice to it. The system of transporting rice to the capital began with Han Kao Ti (350-357 A. K. or 202-195 B. C.). At the beginning, the annual transportation amounted to only several hundred thousand bushels. But, during the reign of Han Wu Ti, it increased to six million bushels. From that time to the present day the food supply of the capital has come from great distances, and the cost of transportation is a great waste of the public revenue.

Since this system is against the principles of the "Tribute of Yü," and involves economic waste, why has it continued for so long a time? Why did none of the statesmen of different dynasties abolish it? To explain this we may consider it from different standpoints. First, it has economic reasons. (a) As the capital is the center of industry and commerce, but not of agriculture, it needs the provinces to supply its food. But this is a sign of the neglect of agriculture. As China was supposed to be an agricultural country, every locality should have a sufficient supply of food. Although the capital itself cannot produce sufficient rice, why should its neighborhood not be able to supply its demand? This is the chief defect of the government, that it does not develop the land in its surrounding districts. (b) In general, at the beginning of a dynasty, the transportation of rice is small in amount, but in its middle or end has become great. This shows the increasing extravagance of the government. Whenever the government becomes extravagant, it consumes more rice; hence this transportation cannot be stopped. (c) Even though the neighbors of the capital did not produce rice enough, and the government was extravagant, why should the government not buy rice from merchants in the capital instead of transporting it from a long distance? Because there was no private trans-

portation of rice on a sufficiently large scale to support the government. In old times, transportation, especially of rice, was extremely difficult. The cost of transportation was so great that the merchants might make no profit, but actually lose. Therefore, the government itself transported rice, and appointed high officials to take charge of it. This was the fundamental reason for the existence of this system.

Secondly, there are military and political reasons. The chief consumers of rice are not the members of the court, but the soldiers. The amount of rice transported corresponds with the number of soldiers. In order to strengthen the power of the capital, the government must have its own transportation of food, employing its own ships and its own employees, irrespective of any circumstance.

To-day, although the capital needs the food supply from the southern provinces, the system of canal-transportation should be abolished. First, the government should develop the land to the north for the fundamental solution of this problem. Secondly, it may depend on the private transportation of the merchants, since the transportation is now much easier than it was formerly. Thirdly, even if the government transportation were necessary, the rice can be transported either along the sea-coast or by the railways. This is much simpler and more economical. Therefore, the abolition of canal-transportation, and the change from a tax paid in rice for the transportation to a tax paid in money must occur in the near future.

The other institution contrary to the principles of the "Tribute of Yü" is the requirement of tribute from different localities. What the "Tribute of Yü" calls tribute is really the land tax, which is the only tax of the government. But, from the Han dynasty, the government required the famous products of different places as tribute. At the beginning, it always said that the value of the tribute should

be substituted for the amount of the regular taxes. But in later times it demanded the tribute in addition to the regular taxes. Sometimes bad rulers wanted such things, and sometimes bad officials presented them in the expectation of receiving some special favor. This was really an unlawful tax, and the people suffered a great deal. Such a bad custom is nominally abolished by the present dynasty, and those products needed by the government are bought with public money by the officials.[1] But the purchases by the officials still give trouble to the people, and such bad results will be extinguished only under a real constitutional government.

We have already seen that the Three Dynasties taxed the land at the same rate of one-tenth, and that such rate was uniform throughout the whole empire.[2] But this might be simply the ideal plan of Confucius, not conforming in fact to the system of the ancients. Take, for example, the *Official System of Chou.* The tax on the gardens and the houses of the cities was at the rate of one-twentieth of their income; that on the land of the suburbs, one-tenth; that on the land of the country, three-twentieths; that on the land of the crown domain governed by the imperial officers, two-tenths; and that on the timber land, five-twentieths.[3] This system had different rates in regard to different lands or to the same land in different localities. It has been disputed because it is not harmonious with the principles of Confucius. Of course, it does not conform to Confucius' system, but it might nevertheless have been the actual system of the Chou dynasty.

Confucius approves of the system of tithes, and such a

[1] The tribute sent by the dependencies is not under this rule, because the dependencies do not pay regular taxes.

[2] *Cf. supra,* p. 499.

[3] Ch. xiii.

theory is justifiable. Prof. Edwin R. A. Seligman says: "Since land itself is not private property, since land is not bought and sold, the faculty of the taxpayer can be measured not by the value of the land, but by the value of its produce, which is in some proportion to the quantity of the land." [1] Therefore, although a tithe is a tax on the gross produce, it is a good test of ability to pay.

According to Ricardo, the chief objection to tithes is that they are not a permanent and fixed tax, but increase in value, in proportion as the difficulty of producing corn increases.[2] This is true, but under Confucius' system this objection practically does not exist. Every man receives the same amount of land, one hundred acres, from the government, produces a similar amount of product, and pays a similar amount of tax. There is no great difference in regard to either the increasing difficulty of producing corn, or the value of the tax. Although the productivity of the farmers varies in five grades,[3] the majority of them must be the ordinary farmers, neither the best nor the worst. Therefore, a rate of tax equal to one-tenth of the produce is really a permanent and fixed tax.

It should be noted that the tithe is a tax for the state, not for the church. The church in China has no revenue from taxation whatever, since it is without the taxing power.

2. *Later Development of the Land Tax*

The land tax is the chief tax of China, so there are numerous interesting facts about it. We shall not go into all the details, but shall merely pick out the most important events to show its development. Since the tax system of the Three

[1] *Essays in Taxation*, p. 14.

[2] *Political Economy*, Bohn's edition, pp. 158-9.

[3] *Cf. supra*, pp. 390-391.

Dynasties is mixed up with the theories of Confucius, and has been explained above, we shall begin with the end of the Chou dynasty.

In 43 B. K. (594 B. C.), Duke Hsüan of Lu began to tax the land of the people by acres. Formerly, as the public fields existed, the people simply contributed their labor to the public fields, and paid only its produce as a tax. This was for the enlargement of the people's wealth. But, since Duke Hsüan did not care much for the people, they did not pay much attention to the public fields. Therefore, he taxed their private fields directly by acres, and abandoned the system of public fields. Although the rate of tax was still one-tenth, the government exercised more power over the people, and the tax was more efficient and regular. This was really an advance in the tax system. But Confucius did not like it, because he thought that Duke Hsüan would exhaust the wealth of the people, and he recorded his disapproval in the *Spring and Autumn*.[1]

In 204 A. K. (348 B. C.), just after the destruction of *tsing tien* (202 A. K.), the state of Ch'in began to enact a tax system. This was an important event, because the land began to be subject to private ownership, and the basis of taxation was changed from gross produce to property. The rate of tax was unknown, but this system was really an advance.

The rate of land tax was low during the Han dynasty. At the beginning, the rate was one-fifteenth of its produce. But the most economical emperor was Han Wên Ti. In the twelfth year of his reign, he remitted half the land tax. In the next year (385 A. K. or 167 B. C.) he remitted it entirely. In the second year of his son's reign (397 A. K. or 155 B. C.) the government began to renew

[1] *Cf. Classics*, vol. v, pt. i, p. 329.

the land tax which had been remitted for twelve years. Then its rate was reduced to one-thirtieth, and it was paid according to the number of acres.

During the first part of the reign of Han Chang Ti (about 627-629 A. K. or 76-78 A. D.), the land tax was paid in money. In 716 A. K. (165 A. D.), Han Huan Ti began to require ten copper coins for each acre. It was the first time that money was required for the land tax. Han Ling Ti did the same in 736 A. K. (185 A. D.) Both were bad emperors, and such a tax was an addition to the regular tax. However, this was not a permanent system.

From the Tsin dynasty to the first part of the Tang dynasty the land tax was mixed up with the poll tax and the family tax. The person or the family was the basis of taxation. Each person or family paid a uniform rate of taxes. At that time there was an equal distribution of public land, so that the faculty of everyone was practically equal, and each person was able to pay an equal tax.

After the Three Dynasties, the most famous system of taxation was the three-taxes system of the Tang dynasty. In 1175 A. K. (624 A. D.), the law was made as follows: Among all the recipients of public land, each adult man annually contributed two bushels of rice, which was called land tax. According to the native products of its town, each family annually contributed any of the three kinds of silk—*chüan, ling* and *shih*—twenty cubits in all, and three taels of floss-silk; if there was no silk industry, it paid twenty-five cubits of cloth and three catties of flax; such a tax was called the family tax. The regular length of time for the public service was twenty days in one year. During a leap year, two days were added. He who did not serve it gave three cubits of silk for each day. Such a tax was called a labor tax, or poll tax. In some special cases, if fifteen days were added, the family tax was remitted; if

thirty days were added, both the land tax and the family tax were remitted. But, on the whole, the service was not longer than fifty days.[1]

All these three taxes were in harmony with the faculty of the people. Since each man received one hundred acres of public land, he was able to pay the land tax; since he had a family, he was able to pay the family tax; and since he had his own body, he was able to pay the labor tax. All the requirements were based upon what he had, not upon what he had not. But the distribution of the public land was the fundamental thing which enabled him to pay all the taxes. This is the reason that this law was famous.

Under the system of the three taxes, the person was the basis of taxation, and the taxes were paid in kind, not in money. But after the decay of this system, Yang Yen, the prime minister, established the famous system of summer and autumn taxes in 1331 A. K. (780 A. D.). The decree reads as follows:

All families, no matter whether native or stranger, should be registered according to their present residence. All persons, no matter whether adult or young, should be classified according to their wealth. . . . The taxes of the permanent residents are collected twice a year, in summer and autumn. Those who find it more convenient may pay them in three periods. All other direct taxes are abolished. But the fixed amount of poll tax will remain. The total land tax is fixed according to the amount of land which has been cultivated in the year of [1330 A. K.]. The summer tax should be paid not later than the sixth month, and the autumn tax not later than the eleventh month.[2]

[1] *Old History of Tang,* ch. xlviii. *General Political History,* ch. ccxxxiv. *General Research,* ch. ii.

[2] *Old History of Tang,* ch. xlviii.

Yang Yen was a great reformer. He abolished all other direct taxes, and reduced them to the land tax only. The poll tax was included in the land tax. This was the first time that the system of "single whip"[1] was originated. He made no difference between the stranger and the native, nor between the young and the adult. The only basis of direct taxation was the land, not the person. It was simple and uniform. The officials could not practice corruption, nor could the people evade their dues. Since this time the land tax has been collected in money, and in two periods of the year. This was an epoch-making revolution in the financial systen. It changed entirely the tax system of the ancients, and served as a model for all succeeding dynasties.

In 1345 A. K. (794 A. D.), Lu Chih criticized the system of summer and autumn taxes as follows:

The production of wealth is dependent upon the labor of men. Therefore, when the ancient kings regulated taxation, they took the person as the basis. They did not increase one's land tax because he was diligent in agriculture, nor diminish it because he was lazy; hence the land products were plentiful. They did not augment the family tax because the family accumulated its property, nor exempt it because the family was not a native; hence the people were firmly attached to their locality. They did not give the person more work because he was good, nor relieve anyone of personal service because he was neglectful; hence the people were diligent. Therefore, the people were comfortable in their living, and tireless in their efforts for the production of wealth.

Now, the establishment of the summer and autumn taxes takes only income and property, not the person, as the basis. But, among the classes of income and property, some are kept in a pocket or a box, and some are stored up in gardens or granaries. In the former case, although they are very

[1] *Cf. infra*, pp. 656, 667-8.

valuable things, nobody can see them. In the latter case, although their value may be little, everyone thinks that their owner is rich. Some are circulating and productive capital goods, and some are used for consumption, such as houses and furniture. The former may be in a small quantity, but they receive income every day. The latter may be capitalized at a high price, but they do not bring any profit even in a whole year. There are many cases similar to these. If we take them as a whole for the assessment, it must lose equity and increase fraudulence. Hence, those who keep personal property and move anywhere usually escape taxes, and those who pursue agriculture and establish their permanent home always have to pay. Such a system induces the people to commit fraud, and tends to drive them away because of their desire to escape public labor. Their productive effort must be weakened, and the public revenue must be insufficient.[1]

The theory of Lu Chih represents the old theory of taxation. Its first part clings to the old system, the person being the basis. It held true in the ancient time, since each person was nearly equal to every other, and received an equal share of land. But it was not true in the medieval time, when the ancient system of land-distribution was broken up, and the wealth of the people had become unequal. Moreover, his theory is contrary to the fundamental principle of taxation. According to him, taxes on income and property are a penalty upon the efficient producer. He failed to realize the principle of faculty. However, the latter part of his theory is good, because it points out the defects in the summer-and-autumn-taxes system. The objections which he urges are practically the same as those brought against the general property tax to-day.[2]

According to the opinion of Ma Tuan-lin, the basis of

[1] *General Political History,* ch. ccxxxiv.

[2] Seligman's *Essays in Taxation,* pp. 24-33.

taxation from the Tsin dynasty to the Tang dynasty was the family rather than the land. But, since every family received a share of land, the family tax really included the land tax. Although the Tang dynasty separated the three taxes, the payer of them was also the land-holder. In the middle part of this dynasty land became private property, being sold and bought, and the system of land distribution was entirely broken down. The people who formerly paid the three taxes were mostly not land-holders. How could they be taxed in the same way as the rich? Moreover, after the rebellions (1306-1313 A. K. or 755-762 A. D.) the population was changed, and the census could not be the basis of taxation. The only thing unchanged was the land. Therefore, to take the amount of land cultivated in the year 1330 A. K. as the fixed amount for the establishment of the summer and autumn taxes was a good system for the time being, although it was not the permanent plan of the state. If the three-taxes system should be reëstablished, the land-distribution system must be first reëstablished. As long as the land could not be equally distributed, the system of summer and autumn taxes was the best.

Another tax, the "mouth tax" of different dynasties, always took the person as the basis, modification being made only in accordance with age. But inequality in wealth has existed for a long time. According to the old system, although a young boy may inherit a great fortune, he pays a small tax; while the adult, although he may be very poor, is burdened with a heavy tax. Is this not unjust and absurd? Now, the system of summer and autumn taxes classified the people according to their wealth without regard to their age. This is quite correct. The defects of this system pointed out by Lu Chih rest on the administration, but not on the system itself. For both agriculture and com-

merce can get riches. Although the merchants find it easier to evade taxes, and the farmers suffer from the burden, the sufferers are nevertheless the rich people. Is it not comparatively better than to tax the people according to the original census without regard to their wealth?

Ma Tuan-lin goes still a step further, to show the defects of a tax system based on the person. According to Chinese history (before the present dynasty), the acres of land cultivated increased, but the population decreased. He cites this to show that the "mouth tax" and the "door tax" made the people dishonest. Then he points out the incorrectness of the theory of Lu Chih, who urged that the basis of taxation should be the person, by saying that the abilities of men are not equal. Although they are all human beings, some are clever and some are stupid. Although they all do business, some are successful and some fail. There are people who rise from deep poverty to become millionaires, and who have additional ability to support others. There are other people who cannot preserve even a little of their inheritance, and who regard even their lives as burdens. Even sages cannot make men alike. Therefore, he concludes that to take land as the basis of taxation, and income as the test of ability to pay, was a necessary policy of that time.[1]

The theory of Ma Tuan-lin is the doctrine of faculty. Its fundamental point is still true, but its application to modern times must be modified. Since land is not the only test of ability to pay, land cannot be the basis of taxation.

The payment of the land tax in silver began in the Sung dynasty. In 1628 A. K. (1077 A. D.) the summer tax consisted of 31,940 taels of silver, and the autumn tax of 28,197 taels. The Kin and the Yüan dynasties never col-

[1] *General Research*, ch. iii.

lected the land tax in silver. Under the Ming dynasty, in 1927 (1376 A. D.), there was an ordinance that silver be allowed to be substituted for rice; and during the reign of Ch'êng Tsu (1954-1975 A. K. or 1403-1424 A. D.) the annual tribute consisted of 300,000 taels of silver. But these were simply for the convenience of payment, and the silver was regarded like other commodities. It is only since 1987 A. K. (1436 A. D.) that the land tax has begun to be regularly paid in silver. In this year the land tax of all the southern provinces was paid in silver, and one tael was equal to four bushels of rice. In 2038 A. K. (1487 A. D.) this system was extended to all the northern provinces, and one tael was equal to only one bushel. These figures show the fluctuation in the value of metal in comparison with that of rice. But this system was a revolution in economic history, and it has continued to the present time.[1]

In 2132 A. K. (1581 A. D.) the system of "single whip" was universally established. The total amount of land tax and poll tax of each district was fixed, and the poll tax was equally distributed to the land. Whenever there was public labor, the officials employed laborers with payments. All the different kinds of contributions, tribute, *etc.*, were simplified into a single item, and they were supplied by the officials with the money of the land tax. Land was the only object of direct taxation, and was taxed according to acreage.

[1] The payment of the land tax in gold began with the Sung dynasty. In 1528 (977 A. D.), one tael of gold was equal to eight thousand copper coins. In 1948 (1397 A. D.), Ming T'ai Tsu decreed that the land tax may be paid in gold, one tael being substituted for twenty bushels of rice. In these cases, gold was used only like commodities. In fact, whether the tax is paid in kind or in money depends on the economic condition of the people. The old Chinese usually held the opinion that it is better for the farmers to pay tax in kind, because they need not exchange their products for money, and their products are not subject to market price. Such a view was quite true, since China was an agricultural country.

The worst thing in the financial system of the Ming dynasty was the constant increase of the land tax. Formerly, the annual revenue of the national treasury was about 2,430,000 taels of silver, and the expenditures were not over 2,000,000 taels, sometimes only seven or eight hundred thousand taels. There was a rule that the government spent seven-tenths, but reserved three-tenths for any emergency, such as famine or military expenses. This was in harmony with the principles of Confucius. But in 2065 A. K. (1514 A. D.) Ming Wu Tsung increased the land tax temporarily to the amount of 1,000,000 taels for the reconstruction of a palace, because he had exhausted the reserve fund. This was the first time of increasing tax. In 2102 A. K. (1551 A. D.), when the military expenditures were increased, Ming Shih Tsung got a temporary addition of tax, 1,200,000 taels, distributing it to the land tax of Kiangsu and Chekiang. From 2169 to 2171 A. K. (1618-1620 A. D.), when the rebellion broke out in Manchuria, Ming Shên Tsung increased the land tax of the whole empire three times, the total addition being 5,200,000 taels; and this became a permanent addition. In 2181 A. K. (1630 A. D.) Ming Chuang-lieh Ti made an addition of more than 1,650,000 taels. In 2186 A. K. he raised the land tax one-tenth, which was called a subsidy. Again, he made an addition of 2,800,000 taels in 2188, and another addition of 7,300,000 taels in 2190. From 2169 to this year, the total increase in the annual land tax amounted to 16,900,000 taels. The government wanted to get money in order to put down the rebels and the banditti, but the people could not bear the burden, so that they were driven to become banditti. This was one cause of the downfall of the Ming dynasty. Therefore, in 2207 A. K. (1656 A. D.) the present dynasty abolished all the additions to the land tax and brought it back to the original amount.

In 2263 A. K. (1712 A. D.) the present dynasty made a great revolution in the tax system. This was by making the amount of the poll tax of 2262 A. K. a fixed burden and freeing the increasing population from any further poll tax.[1] From 2274 to 2280 A. K. (1723-1729 A. D.) the poll tax of different provinces was added to the land tax. Hence, China has to-day no poll tax, and the people who own no land pay no direct tax whatever.

For a long period the land has been taxed by acreage. In 755 A. K. (204 A. D.) Tsao Tsao taxed each acre at four pints of rice. In 881 A. K. (330 A. D.) the Tsin dynasty taxed each acre at three pints, which was called one-tenth of its produce; and in 912 A. K. (361 A. D.) this rate was reduced to two pints. In 1321 A. K. (770 A. D.) the Tang dynasty fixed the land tax as follows: For the summer tax, each acre of the higher grade of land paid six pints, and that of lower grade, four pints; for the autumn tax, one pint was deducted from both grades. In 1831 A. K. (1280 A. D.) the Yüan dynasty regulated the land tax at the rate of three pints for one acre, paid in paper money. In the beginning of the Ming dynasty (1919 A. K. or 1368 A. D.), each acre was taxed at $3\frac{35}{100}$ pints. All these rates were but general rates. Since the middle part of the Tang dynasty there has been no uniform rate, and the amount of rice has mostly been paid in a fixed equivalent sum of money.

The land tax of the present dynasty varies greatly in the different provinces. For example, each acre in the Kansu province is taxed from .0002 to .1504 tael of silver, from .03 to 8.11 pints of rice, and from .3 to .46 of a bale of straw.[2] Each acre in the Sian prefecture (Shensi province) is taxed 2.3817 taels of silver, and from 5.25 to 5.85 pints

[1] *Cf. supra,* pp. 338-9.

[2] A bale weighs fifteen catties.

of rice. These rates are determined by custom rather than by any scientific measure of ability to pay.[1]

The requirement of extra taxes besides the regular tax began in the Five Dynasties. In 1477 A. K. (926 A. D.) the extra tax of ten per cent was abolished. In 1501 A. K. (950 A. D.) the extra tax was increased to twenty per cent. It was pretended that the extra tax was to provide against any loss or waste of the regular tax, because the tax was collected in kind. In the middle part of the Ming dynasty, although the land tax was paid in silver, the extra tax was required upon another pretext—to make good the loss from melting. Since 2275 A. K. (1724 A. D.), the present dynasty has taken the extra tax from the local officers into the central government, and fixed its amount, varying to a great extent, from two per cent to twenty per cent. But it is distributed again to the magistrates of the districts, as an addition to their salaries and for other local expenditures.

This is not a good system. If we wish to get more revenue for legitimate expenditures, we should directly increase the tax itself, but should not impose an additional tax. It is unequal and complicated, and is a source of corruption. The magistrate in the first place requires an addition, and then his clerks require another addition. The people pay fifty per cent more than the amount of the regular tax. Moreover, the poor suffer more than the rich, because their payment is smaller and their resistance is weaker. Therefore, the extra tax should be abolished.

In conclusion, the land tax is the oldest and the most important tax of China. According to the budget of this year (2462 A. K. or 1911 A. D.) the total land tax is 48,101,346 taels of silver. But, since 1331 A. K. (780 A. D.), there has been no great change in the land-tax system. Every

[1] *Cases of the Institutes of the Ts'ing Dynasty* (*Ta Ts'ing Hui Tien Shih Li*), ch. clxii.

dynasty has simply followed in the footsteps of the preceding dynasty, and the people are bound to pay the tax, not according to any sound principle, but according to what they had paid before. It is far from justice. In short, China must reform the land tax fundamentally, and this should also increase largely the public revenues.

II. PERSONAL SERVICE

In ancient times the revenue system was simple, the land tax practically being the only tax. But there were many kinds of work which were necessary to the government and could not be paid for out of the small revenues. Therefore, the people contributed their labor for all kinds of public work without receiving any payment. This was the oldest form of poll tax, although the tax was not paid with money, but with labor. Hence, Confucius regards forced labor as a tax.

1. *Principles of Confucius*

In the feudal stage the people suffered from forced labor a great deal. Therefore, Confucius condemned any war,[1] and any unnecessary construction or repair of buildings,[2] because the people were oppressively employed for those things. The general principle of this tax was the employment of the people at the proper season.[3] Mencius said: "If the seasons of husbandry be not interfered with, the grain will be more than can be eaten."[4] Indeed, the personal-service tax might easily interrupt the occupations of the people. But Confucius did not advocate the abolition

[1] *Cf. supra,* pp. 142-4.

[2] *Cf. supra,* p. 245.

[3] *Cf. supra,* pp. 79, 627.

[4] *Classics,* vol. ii, p. 130.

of this tax, because the people at large at that time were unable to pay money in its place. He merely advocated its reform, and its abolition was later the achievement of Chang Yüeh, Yan Yen, and Wang An-shih.[1]

Confucius prescribes an age limit for personal service. According to the "Royal Regulations" and the authorities of the Modern Literature, a man begins to serve in public work at twenty, and retires at fifty; he begins to serve in the army at thirty, and retires at sixty.[2]

For the service of public work, no more than three days within a year are allowed. In all employments of the people on public work, even the strong men are given only a small amount of work, the same as that of old men; and even old men are given ample rations, the same as strong men. In this way favorable treatment is accorded to the people. Moreover, according to this principle, public work is not forced labor, but hired labor, since it receives subsistence.[3]

The most important form of personal service is military duty. The people contribute not only their labor, but also their equipment. According to the *tsing tien* system, ten *tsing* together (eighty families) contribute one chariot. But many other kinds of equipment are supplied by the government.

Kuan Tzŭ was the first one to require the people of sixteen *tsing* (one hundred and twenty-eight families) to supply seven buff-coats.[4] Duke Ch'êng of Lu followed this example in 39 B. K. (590 B. C.). But Confucius condemned this law in the *Spring and Autumn*, because the making of buff-coat was not the profession of the ordinary people, and such a requirement was oppressive.[5]

[1] *Cf. infra*, pp. 665-7.
[2] *Cf. Li Ki*, bk. iii, p. 241.
[3] *Ibid.*, pp. 227-8.
[4] Bk. v.
[5] *Cf. Classics*, vol. v, pt. i, p. 337.

The exemption from personal service is as follows: First, there is an exemption for educated men. The "selected scholars" brought to the notice of the minister of education are exempted from services in their districts. The "eminent scholars" promoted to the imperial university are exempted from all services under the department of education. Secondly, there is an exemption for the benefit of those families which have aged persons or sick persons, or deaths. When a person becomes eighty, one of his sons is free from all services; when he becomes ninety, all the members of his family are free. In a family whose member is disabled or ill, requiring the attendance of others to wait upon him, one man is discharged from services. Parties mourning for their parents have a discharge for three years, and those mourning for one year or nine months have a discharge for three months. Thirdly, there is an exemption for emigrants and immigrants. When one is about to move to another state, he is discharged from service for three months beforehand. When one comes from another state, he is discharged for a round year. These are the rules of Confucius.[1]

2. *Rules given in the Official System of Chou*

The *Official System of Chou* gives many rules in regard to personal service. Although they are somewhat different from those of Confucius, they are important because they were the actual laws of the Chou dynasty. Therefore, we shall mention some of them. In the capital city those from twenty to sixty, and in the country those from fifteen to sixty-five, paid the service tax.[2] Five men formed the smallest group, a *wu;* twenty-five men made up a *liang;* one

[1] *Cf. Li Ki,* bk. iii, pp. 232, 243.

[2] Since the people of the capital city served the public labor much oftener than those of country, the period of service was shorter.

hundred men, a *tsu;* five hundred men, a *lü;* two thousand five hundred men, a *shih;* and twelve thousand five hundred men, an army. This standard was for the raising of soldiers, for the undertaking of hunting expeditions and public works, for the driving away of an enemy, for the capturing of robbers, and for the collecting of taxes. The average numbers of those people who were strong enough to serve in the public labor were as follows: In the families consisting of seven persons, each family had three men; in those consisting of six persons, two families together had five men; in those consisting of five persons, each family had two men. But, in all kinds of public labor, each family was required to contribute not more than one man. It was only for hunting, or for driving an enemy away, or for capturing robbers, that all the able-bodied persons in each family were required to take part.[1]

There were many local officers who controlled all local affairs. Five families formed the smallest group, and over them was the lowest officer. Then came some higher officers—one for twenty-five families, one for one hundred families, one for five hundred families, and one for two thousand five hundred families. The larger the group, the higher the officer. They were chosen from among the people themselves. All the personal services were directed by them. They were both civil and military officers. In time of peace they were administrators, in time of war, commanders.[2]

There was an equalizer (*chün jên*) who equalized the personal services performed either through physical labor, or through the use of animals and vehicles. In all cases, the equalization of personal services was according to the year. In a good year the period of public labor was three

[1] Chs. xi, xii.

[2] Ch. xii.

days; in an ordinary year, two days; and in a bad year, one day. If there was famine or epidemic, there was no requirement of personal service.[1]

3. *The "Rotation Tax" of the Han Dynasty*

During the Ch'in dynasty the people served the local government for one month, and then the central government. In the whole year, the amount of service, both as a soldier at the frontier and as a workman on public work, was thirty times more than that of the ancients.[2] This was the worst example in Chinese history.

At the beginning of the Han dynasty, the example of the Ch'in dynasty was followed. However, in later times, the law was fixed in this way: The personal service was called "rotation." The "soldier rotation" was service for one month. The "fulfilling rotation" was a payment of two thousand copper coins for the length of one month, which might be substituted for the soldier rotation. The "passing rotation" was the payment of three hundred coins in substitute for the three days' service at the frontier.

Therefore, under the Han dynasty, the system of hired labor was well established. The wage of such labor was called "level price," one hundred coins for one day's labor. Hence, the total amount of "rotation tax" for one man in one year was two thousand three hundred coins. This was really too much.[3] But, if the Chinese in general had been rich enough to pay this tax, there would have been no forced labor. The fundamental cause for the existence of forced labor was the economic condition of the people.

[1] Ch. xiv.

[2] *History of Han,* ch. xxiv.

[3] *Ibid.,* ch. vii (commentary). Besides this tax, there were also the poll tax and the family tax (*cf. infra,* pp. 669-671).

4. *Reformation of Chang Yüeh*

From the beginning of Chinese history, the people have been responsible for military service. In 1273 A. K. (722 A. D.) a great revolution in the military system took place. At that time the soldiers of the standing army in the military stations served the army from twenty-one to sixty. Moreover, their families were not exempted from other services. Hence, they became poor and weak, and deserted from their stations in large numbers. The people suffered from this system. Then Chang Yüeh, the prime minister, proposed to hire strong men for imperial guards. By exempting them from other services and giving them favorable treatment, deserting soldiers were induced to offer themselves for such an employment. Tang Hsüan Tsung put this proposal into effect. Within ten days he got one hundred and thirty thousand good soldiers. They were distributed to different stations, and ordered to come to the capital in rotation. This was the first time that the soldiers were separated from the farmers.[1]

Since this revolutionary change in the military system, the Chinese have not been required to serve in the army. From the military point of view, there are many objections to this change. From the social and economic points of view, however, the people derive great benefits. Although the people pay more taxes for the support of soldiers, they are free from all troubles. Moreover, there is no necessity for every man to be a soldier, and the specialized soldier is better than the ordinary man. Indeed, the separation of the people and the soldiers is justified by the principle of division of labor. Chang Yüeh, although criticized by many, was a great reformer, and his innovation was comparable to the "forced-labor emancipation law" of Wang An-shih.

[1] *General Political History*, ch. ccxii.

5. *Reformation of Yang Yen*

We have already learned that under the three-taxes system of the Tang dynasty the poll tax was paid either by a contribution of labor or by a payment of silk.[1] This was in harmony with the principles of Confucius, because there was no double taxation upon the person, and the people were not required to contribute both labor and payment We have also learned that, by the reformation of Yang Yen, the poll tax was combined with the land tax.[2] This meant a great advance in civilization, because there was neither poll tax paid in money nor forced labor. Therefore, from that time on (1331 A. K. or 780 A. D.) China should not have poll tax or forced labor at all. This was the great achievement of Yang Yen, and we should give him not less credit than we give to Wang An-shih (a justice which the Chinese have never done him).

6. *Reformation of Wang An-shih*

However, there was another kind of forced labor coming into existence. During the Tang dynasty the families were classified into nine classes, according to their wealth, and the rich families were required to take up the public service. We must remember that this service was an honorable service, different from ordinary public labor. The position of the rich people who undertook the public service was like that of the local officers of the Chou dynasty.[3] But, after 1262 A. K. (711 A. D.) this position began to be dishonorable, and it gradually became similar to forced labor. Hence we speak of it as forced labor. But we must not forget that this forced labor was different from the ordinary forced labor which was abolished by Yang Yen. The former was based on property, and the latter on person.

[1] *Cf. supra.*

[2] *Cf. supra*, pp. 651-2.

[3] *Cf. supra*, p. 663.

In the Sung dynasty this forced labor became intolerable. The kinds of public labor were such as the keeping and transporting of government property, collecting taxes, policing, carrying messages, *etc.* It was a great burden especially put on the higher grades of families, and it destroyed the property and lives of many people.

In 1621 A. K. (1070 A. D.), Wang An-shih established "the forced-labor emancipation law," and it was a great revolution in the economic history of China. The fundamental point was to change forced labor to hired labor. Wang An-shih based his principle on the institutions of the ancient kings—that is, to tax the people for the wages of the government employees. In fact, this law substituted a money tax for personal service. We shall discuss the law itself under the head of property taxes.

7. Final Settlement

The system of hired labor is the best institution established by Wang An-shih. Even for this alone he deserves all honor. But the system of forced labor was revived in 1637 A. K. (1086 A. D.), and it was abolished again in 1645 A. K. (1094 A. D.). After 1686 A. K. (1135 A. D.) the wages provided for hired labor were used for military expenses, and forced labor was revived again. Hence, both the ordinary public service and the higher public service came into existence. Since the Kin dynasty, there has been a distinction between the service assigned to the families paying the land tax and the service assigned to those paying no land tax. But their character was that of forced labor just the same.

When the "single whip" system was universally adopted in 2132 A. K. (1581 A. D.), the land tax was increased to take the place of forced labor. The government got money from the land for the wages of hired labor, and the people

were freed from forced labor. But this system was not thoroughly established until the present dynasty (2263-2280 A. K. or 1712-1729 A. D.).[1] To-day no one is obliged to take up any public labor.

As to the reasons for the existence of forced labor, besides the fundamental one which we have mentioned above—the economic condition of the people—three others may be given. First, the amount of taxes was so small that it could not defray the wages of hired labor. Secondly, except for Yang Yen's abolition of forced labor by an augmentation of the land tax, there was no one who had the wisdom and courage of Wang An-shih to devise a new tax to take the place of forced labor. Therefore, although the optional payment of money in lieu of personal service had been an institution of the Chou and the Han dynasties, forced labor itself had never been abolished; and, although Wang An-shih had abolished it, it was revived again when the money for hiring laborers was used for other purposes. Thirdly, since there was no separate source of revenue for local expenses, the public labor that had to be performed for the local government was necessarily imposed upon the people of the locality. Therefore, although military duty, the chief service to the nation, was abolished by Chang Yüeh, local service continued to be burdensome enough to the people; and, although the ordinary forced labor was abolished by Yang Yen, the higher forced labor still existed in the localities. These are the three reasons for the existence of forced labor.

As to the evils of forced labor, it seems that they resulted from the ignorance and weakness of the mass of the people. If they had been intelligent and strong, their lives and property would not have been destroyed by forced labor, such as

[1] *Cf. supra*, pp. 338-9, 658.

the collecting of taxes and police duty. They might even derive benefit from it, since there was some compensation and exemption for them. But, as a matter of fact, they were somewhat timid and weak, so they were apt to be imposed upon by the officials and their servants. Therefore, even after forced labor had been changed to hired labor, they were still robbed by the officials and their servants. In fact, the best protection for the people is to teach them how to protect themselves. If we want to reform anything at all, we must go to the very bottom. Political education is the fundamental thing.

III. POLL TAX

The "mouth tax" was a poll tax. It does not appear in the Confucian texts, so that there is a presumption that this tax did not exist in ancient times. But, according to Kuan Tzŭ, the amount of the mouth tax was ten coins annually.[1] In the *Official System of Chou* it was called *fu*.[2] Pan Ku says that *fu* was for military expenditures, for the reserve of the treasuries, and for the gifts of the rulers.[3] Therefore, we are sure that the mouth tax must have existed in ancient times; but it was probably very light. This tax was not approved by Confucius, because a person having contributed his personal service should not be taxed twice.

In 349 A. K. (203 B. C.) the mouth tax first occurred in Chinese history at a regular rate. Every man, from fifteen to fifty-six, paid annually one hundred and twenty copper coins for the tax of his body. This amount was later reduced either to a half, one-fourth, or one-third. But merchants and slaves paid double this amount. In 363 A. K. (189 A. D.) an ordinance was issued that unmarried women, from fifteen to thirty, should be taxed at a rate five

[1] Bk. lxxvi.

[2] Ch. ii.

[3] *History of Han*, ch. xxiv.

times that amount. It was probably intended to increase the population. Every boy, from seven to fourteen, paid the "mouth money," twenty coins a year. During the reign of Han Wu Ti, a boy began to pay "mouth money" at three years old, and three coins were added. In 508 A. K. (44 B. C.) the tax age was changed to the original, seven years old, but the amount remained the same, twenty-three coins.

Since the Tsin dynasty, the poll tax has been mixed up with the land tax. In 928 A. K. (377 A. D.) the mouth tax was three bushels of rice; and in 934 A. K. it was increased to five bushels. But each person received seventy acres of public land without paying the land tax.

After 1331 A. K. (780 A. D.) the poll tax was included in the land tax by Yang Yen. Therefore there should be no poll tax. But during the Five Dynasties it was revived, and it lasted throughout the Sung dynasty.[1]

The Yüan dynasty regulated the poll tax in 1831 A. K. (1280 A. D.). Each adult man paid three bushels of rice, and each young man, one bushel. This was the standard. In some families, each adult or young man paid only half this amount, or each adult man paid only one bushel. Therefore, there was a gradation in the poll tax.

The amount of the poll tax in the present dynasty has varied to a great extent. The smallest amount was .001 tael of silver for one person, and the greatest amount 8.7786 taels. However, since the total amount of the poll tax of the empire was combined with the land tax (2263-2280 A. K. or 1712-1729 A. D.) China has had no poll tax.

IV. FAMILY TAX

Since the Han dynasty there has been the "door tax," a tax upon the family. It was connected with, and similar to,

[1] *General Research*, chs. x, xi.

the mouth tax. But this tax under the Han dynasty was not heavy, the annual rate being two hundred copper coins for each family.[1]

The increase of the door tax began in the Wei dynasty In 755 A. K. (204 A. D.) Tsao Tsao made a law that each family should pay annually two rolls of silk and two catties of floss-silk.

After 831 A. K. (280 A. D.), Tsin Wu Ti regulated the door tax as follows: A family consisting of an adult man (from sixteen to sixty) paid three rolls of silk and three catties of floss-silk annually. A family consisting of an adult woman or a man of the secondary adult class (from thirteen to fifteen or from sixty-one to sixty-five) paid half this amount. In the prefectures along the boundaries, a family sometimes paid only two-thirds of this amount; in the regions remote from the capital, only one-third.[2]

The door tax or the family tax of the Tsin dynasty seemed to include the land tax. Hence, it was heavier than that of the Han dynasty. But, since there was a distribution of public land,[3] there was no family that held no land. Therefore, the family tax could be required. Moreover, there was no poll tax upon the individual person.

The gradation of the family tax began in 1101 A. K. (550 A. D.). Wên-hsüan Ti of the Northern Ch'i dynasty first divided the families into nine classes. The rich paid their money, and the poor contributed their labor.[4] Hence, the character of the family tax began to change to that of a property tax.

The family tax of the Yüan dynasty was heavy. One family paid one catty and $6\frac{40}{100}$ taels of silk, and five

[1] *Historical Record,* ch. cxxix.

[2] *History of Tsin,* ch. xxvi.

[3] *Cf. supra,* p. 509.

[4] *History of Sui,* ch. xxiv.

taels of silver. This was the standard, and the different grades of family paid different amounts less than this standard. It was really a property tax. Besides the family txx, there was also a poll tax, three bushels of rice.[1]

In the present dynasty there is no family tax.

Our conclusion is, that when the wealth of the people is equal, the family tax upon the family as a whole is justifiable, because it includes the income made by the housewife. Such is the case of ground tax or the exaction of cloth and silk mentioned by Confucius and Mencius.[2] But, when wealth is not equally distributed, there should be no family tax. Therefore, the family tax has been changed to the property tax since the middle part of Tang dynasty.

V. GENERAL PROPERTY TAX

In 69 A. K. (483 B. C.) Lu began to establish a property tax, basing it upon the ratio of the land tax. For instance, the land tax was formerly one-tenth of its produce, but it was now doubled, the second one-tenth being the tax upon general property. It was the first time that the general property tax was invented, but it excluded land. Confucius condemned this new tax, because it was simply an addition to the land tax.[3]

In 570 A. K. (19 A. D.) Wang Mang taxed the wealth of both the officials and the people at the rate of one-thirtieth. This was the first time that the general property tax was levied throughout the whole empire.[4]

In 1320 A. K. (769 A. D.) Tang Tai Tsung regulated the family tax as follows: All the families, either of the

[1] *Continuation of the General Research,* ch. xvi.

[2] *Cf. supra,* pp. 634-5.

[3] *Cf. Classics,* vol. v, pt. ii, p. 826.

[4] *History of Han,* ch. xcix.

people or of the princes, were classified into nine classes, and were required to pay their taxes in money. Each family of the first class paid four thousand copper coins; each of the second, three thousand five hundred; each of the third, three thousand; each of the fourth, two thousand five hundred; each of the fifth, two thousand; each of the sixth, one thousand five hundred; each of the seventh, one thousand; each of the eighth, seven hundred; and each of the ninth, five hundred. The officials were classified according to their nine ranks in correspondence with these nine classes. If one family had several officials holding their position in different places, each of them paid his tax in his place according to his rank. Those people who had hotels, firms, or factories were raised two grades above their proper class for purposes of taxation. The families of farmers living out of their native districts were regarded as the seventh class; and those of temporary residents as the eighth class. All journeymen and boarders were classified under either the eighth or the ninth classes according to their income. The farms situated in different places but owned by one person or one family were separately taxed in the respective localities. The soldiers, during their service, had the special privilege of being classified under the ninth class.[1]

This was a combination of general property tax and income tax. But the chief importance was still laid upon the land, except the salaries of the officials and the business of the merchants. This tax was changed in 1331 A. K. (780 A. D.), when the system of summer and autumn taxes was established.

The "forced-labor emancipation law" of Wang An-shih, established in 1621 A. K. (1070 A. D.), was really a general property tax. Its details were as follows: The families

[1] *Old History of Tang*, ch. xlviii.

who paid money for the emancipation of forced labor or for the aid of emancipation were classified into five grades according to their real and personal property. They contributed this money twice a year, in summer and autumn, according to their grade. The families of the country from the fourth class down, and those of the cities from the sixth class down, were exempted.[1] When they held property in two districts, the higher grades paid money to each district, and the ordinary grade paid it to one district only, including its property in any other district. Those families which divided up their possession were classified into new grades according to the division of their property. The families of officials, those consisting of only women or minors, and the monasteries, paid half the amount. All the money was used to hire those whose family paid taxes, from the third class up, for the execution of public labor. The amount of wages was regulated according to the amount of work. For example, the number of families in the district of K'aifung was over 22,600, and the annual contribution of this money amounted to 12,900 strings. Ten thousand and two hundred strings were used for wages, and the remainder, 2,700 strings, was reserved to make good any deficit which might occur during a bad year.

All the families which formerly served in public labor paid money according to their grade; this was called "the forced-labor emancipation money." All the families of officials, women, single men, bonzes, *etc.*, who were formerly exempted from the public labor, were required to pay money; this was called "the forced-labor emancipation aid money." This tax was rated according to the estimated amount of wages needed in each district, the inhabitants of which were required to make the assessed amount good, in

[1] We should remember that, before this law was passed the families were classified into nine classes according to their wealth.

accordance with the grade of their families. Besides the fixed amount, an extra charge of twenty per cent was collected to provide against such contingencies as years of famine and inundations, when the people might be deprived of all means of paying taxes. This charge was kept as a reserve fund, which would enable the government to remit this annual impost in necessitous times.

The forced-labor emancipation law was good, but it encountered much opposition. In the first place, it created a new tax paid in money. In the second place, it taxed all the higher classes which were formerly freed from forced labor. Since the common people got the real benefit from the emancipation, the higher classes who especially suffered by this tax made a loud outcry. But both Sung Shên Tsung and Wang An-shih were strong enough to maintain this law. Shên Tsung said: "This change of institution is, indeed, not welcomed by most of the officials; but what is the inconvenience to the people?" This law meant a social revolution for China—the higher classes paid more taxes, and the lower classes were not only emancipated from forced labor, but also freed from the general property tax.

This tax was levied upon the five grades of family. Such classification was based either on the amount of the land tax which the family paid, or on the acreage of land, or on the accumulation of cash, or on the amount of rent received. Since it was necessary that hired labor be substituted for forced labor, and that the hired labor be paid by some means, this tax was justifiable. It brought in large revenues to the government. Therefore, besides paying wages to hired labor, it was also used for the salaries of government clerks and for the famine-relief fund.

However, this tax had two defects. One was that the land was subject to double taxation. The other was that the law ought not to have required at all the extra charge,

which was reduced in 1645 A. K. (1094 A. D.) to ten per cent.

In 1625 A. K. (1074 A. D.), after Wang An-shih was dismissed, Lü Hui-ch'ing, formerly a personal friend of Wang, devised "the self-proving law" to make the forced-labor emancipation law effective. The government determined the average prices of all real estate, personal property and live-stock. Then it let the people assess themselves according to the aggregate value of their property. The houses were classified according to whether they had income or not. Five units of stored-up money were equal to one of income-making money. Anyone who concealed his property was liable to be informed against. If the information proved true, a third of the value of the concealed property was paid to the informer as a reward. A schedule of taxable property to be returned in the roll was issued to every house, and the magistrate of each district received and registered it. According to the prices of their property five classes of families were distinguished. Therefore the total amount of the wealth of an entire district could be known. Judging by the original amount of the "forced-labor emancipation money" of the whole district, the government decided how much each should pay.

This law imposed a tax upon property which brought in income, consumption goods being exempted. But the difficulty was encountered of distinguishing between goods for consumption and goods for production, because the products of agriculture and industry might be used for either purpose. Moreover, a worse thing was the inducement given to informations. Therefore, when Wang An-shih came back to the government, this law was abolished (1626 A. K. or 1075 A. D.), while the "forced-labor emancipation law" remained practically the same throughout the Sung dynasty.[1]

[1] *General Research,* chs. xii, xiii.

The general property tax of the Kin dynasty was like this: All lands, gardens, houses, carriages, live-stock, plants and money, were counted as property, and the tax was levied upon them according to their quantity. This was a universal tax, none being exempted. But, since the property-owner had paid the land tax beside this, it involved double taxation so far as land was concerned. In 1746 A. K. (1195 A. D.) the total amount of this tax was 2,604,742 strings.[1]

After the Kin dynasty there was no general property tax, except in the form of the family tax. During the present dynasty there is neither general property tax nor family tax

VI. HOUSE TAX

According to Confucius, there is no separate tax levied upon the house itself, except the ground tax.[2] But, during the Chou dynasty, there was the house tax. Besides the tax on the shops, factories, warehouses and residences of the commercial districts, mentioned in the *Official System of Chou*,[3] Kuan Tzŭ says: "The rich families who build their beautiful houses pay a large tax, while the ordinary families who make the common houses pay a small tax.[4]

However, in later history, there is only one instance in which the house tax was levied upon all kinds of buildings. In 1334 A. K. (783 A. D) Tang Tê Tsung divided the houses into three classes. The tax for the first class was two thousand copper coins; that for the second class, one thousand; and that for the lowest class, five hundred. He who dared to conceal one house was beaten with the heavy bamboo sixty times, and the informer was rewarded with

[1] *Continuation of the General Research*, chs. xiii, xv.

[2] *Cf. supra*, pp. 634-5.

[3] Ch. xv.

[4] Bk. lxxiv.

fifty thousand coins, paid by the transgressor. But this tax was abolished in the following year.[1]

In the present dynasty, since 2452 A. K. (1901 A. D.), the provincial governments have tried to impose a universal tax upon all houses. But they succeed only in the cities, and fail to reach the houses in the country districts because the people do not want to pay this new tax.

Therefore, our conclusion is that China never has had a special house tax universally imposed upon the houses of the whole empire. Kuan Tzŭ may have taxed the houses in the country districts, but his state was only a feudal state. This is the difference between the administration of a feudal state and that of a large empire. Although the general property tax of different dynasties did include the tax on houses, it was not a special house tax, but a general property tax.

VII. INCOME TAX

Every tax finally falls upon income. According to Confucius, there is no objection to an income tax, especially a tax on the monopolistic profits of merchants.[2] The income tax began in the Chou dynasty, and it took the form of taxing profits. According to the *Official System of Chou*, the remainder of the government goods which were not used up by the government itself were sold to the merchants, and their profits were taxed for the gifts of the emperor.[3]

According to the law of the Han dynasty, all those who had to pay income tax were to make a self-assessment in accordance with their property. It was made by the head of the family himself. If the assessment was not true, or if

[1] *New History of Tang*, ch. lii. This tax, we might suppose, would have reached only the houses in the cities.

[2] *Cf. supra*, pp. 541-2.

[3] Chs. ii, vi.

it was not written down by the head of the family himself, the fine was two catties of gold, and, moreover, the unassessed property and its income were confiscated.[1] Since this law is not well known, we may take two cases to show its effects. In 436 A. K. (116 B. C.) Marquis P'ang-kuang was deprived of his feudal estate because he did not assess the income which he derived from a loan. In 471 A. K. (81 B. C.), when the government abolished the monopoly of liquors, the people were allowed to distill spirits on condition that they should pay the income tax according to law.[2] Therefore, the income tax was well established in the Han dynasty.

Wang Mang levied an income tax upon every one. In 561 A. K. (10 A. D.) he made a law that all hunters, fishers, foresters, miners, shepherds, weavers, tailors, mechanics, physicians, witches, fortune-tellers, priests, and all other kinds of professional men and business men living in shops, residences and hotels, were required to report themselves and their business to the magistrate of the district where they lived. After deducting their expenses, they should turn over one-tenth of their net income to the government. Those who did not report, or reported falsely, were punished by the confiscation of their total production.[3] There was no exemption,[4] nor differentiation, nor graduation. Therefore, the people suffered a great deal. Yet there was a good point about this tax, that is, that it was not on gross, but on net income.

[1] *History of Han,* ch. vii (commentary).

[2] *Ibid.,* chs. xv, vii.

[3] *Ibid.,* ch. xxiv.

[4] Since Wang Mang nationalized the land in 560, there was no income derived from land. And since he did not give salaries to officials until 567 (even at that time officials received no true salaries), there were no salaries to be taxed.

In China there is a practice that, when the government needs money, salaries and pensions are reduced. This is really a tax on income, stopping it at its source. Such a practice began with the Sung dynasty of the House of Liu. In 1001 A. K. (450 A. D.) the deduction from salaries was one-third.[1]

In 1333 A. K. (782 A. D.) the Tang dynasty reduced salaries in this way: The amount of monthly salaries above one hundred strings was reduced by one-third; above eighty strings, by one-fifth. The reduction of the lower salaries was made in a similar way. But the salaries which were under thirty strings were not reduced. In 1335 A. K. salaries were paid according to their full amount.[2] Such a reduction of salaries had two good points: a progressive tax upon large salaries, and an exemption of small salaries.

In 1673 A. K. (1122 A. D.) the Southern Sung dynasty taxed the salaries of officials at one per cent. Gradually this rate was raised to 5.6 per cent in 1716 A. K. (1165 A. D.). Ma Tuan-lin criticized this practice on the ground that the government might abolish some unimportant offices or reduce salaries openly, but that it should not keep back part of what it had promised to pay.[3] His theory is true. But, if there were a universal income tax, there would be no objection to proportional reduction of salaries.

At the present day, it is the practice in Kuangtung for the people themselves to tax their houses one month's rent for local purposes. One-half of this amount is paid out of the rent, retained by the tenant, and the other half is contributed by the tenant himself. Such a practice prevails in the cities. It is really an income tax upon two elements, rent and profit. At present, the provincial government taxes the houses in the same way.

[1] *History of Sung*, ch. v.

[2] *General Research*, ch. lxv. [3] *Ibid.*, ch. xix.

VIII. INHERITANCE TAX

In the kingdom of Latter Shu (1458-1516 A. K. or 907-965 A. D.), when people married, their dowries were assessed and taxed. This was the first time that the dowry tax occurred in history. But it was abolished in 1524 A. K. by Sung T'ai Tsu.

The true inheritance tax began in 1670 (1119 A. D.). All the testaments, or bequests to daughters, were required to be stamped with the official seal and to pay a tax. But this tax was abolished after a short time.[1]

According to the stamp-tax act of 2458 A. K. (1907 A. D.), every testament was required to be pasted with a stamp of one thousand copper coins. But this act has not been universally enforced.

IX. PUBLIC DEBT

Although public debt is not a tax in name, it is a tax in fact. Ma Tuan-lin has put it under the head of miscellaneous taxes. It began with the Sung dynasty of the House of Liu. In 1001 A. K. (450 A. D.), when national defense was important, the princes, princesses and officials mostly gave voluntary contributions to help the state. Among the rich people, some offered several tens of millions. Then a system of public debt was introduced: one-fourth of the wealth of those people who had five hundred thousands, and of those monks and nuns who possessed two hundred thousands, was borrowed by the state. If their wealth was over these amounts, it was borrowed at the same rate. The government promised that, when the war was over, the debt should be immediately paid off.[2]

When Tang Su Tsung came to the throne (1307 A. K. or 756 A. D.), the government could not get revenue on ac-

[1] *General Research,* ch. xiv. [2] *Ibid.*, ch. xix.

count of a great rebellion. Hence he borrowed money from the southern people, taking away twenty per cent of their wealth. It was called " the borrowing at percentage," and it was really a forced loan. For the same reason, necessary military expenditures, Tang Tê Tsung issued the ordinance of " borrowing from the merchants " (1333 A. K. or 782 A. D.). It did great harm to the people, and, moreover, the total collection in the capital was only two million strings.[1]

Under the present dynasty, a public debt has been created several different times. In 2445 A. K. (1894 A. D.), on account of the war with Japan, the government borrowed ten million taels of silver from the merchants. In 2449 A. K. (1898 A. D.), in conforming to the proposal of Huang Ssŭ-yung, the government tried to borrow one hundred million taels, but the actual collection was only about four million taels. These two sums were really forced money. Yüan Shih-kai tried to establish a public debt of the modern type in 2456 A. K. (1905 A. D.), but did not succeed. Besides borrowing one million eight hundred thousand taels by force, he secretly borrowed from The Yokohama Specie Bank three million taels in order to carry out his plans. Many other officials tried to imitate his scheme, but nobody was successful. In short, China cannot establish a domestic debt until she shall have a constitutional government.[2]

[1] *New History of Tang,* chs. li, lii.

[2] The foreign debt began in 2425 A. K. (1874 A. D.), when a loan of £627,675, bearing 8 per cent interest, was contracted through the Hongkong and Shanghai Bank. After the war with Japan and the Boxers' movement, the foreign debt was largely increased. During the last few years, foreign capital has been borrowed in large amounts for the development of industries and other reforms. Economically, there is no objection to the foreign debt, but politically, the present government is not fitted to borrow foreign money at all.

CHAPTER XXXV

Indirect Taxes

Confucius does not like indirect taxes. According to his view, there should not be any such taxes at all. This opinion appears to be justified not only by reason but by reference to the history of taxation in China. During the first part of the Han dynasty (346-422 A. K. or 206-130 B. C.), the Sui dynasty (1134-1168 A. K. or 583-617 A. D.), and the first part of theTang dynasty (1169-1306 A. K. or 618-755 A. D.), there were practically no indirect taxes. Yet the government was very rich, and the people were very prosperous at this period, except during the revolution at the end of the Sui dynasty (1162-1173 A. K. or 611-622 A. D.). In later times, however, the government has never been able to get along without indirect taxes. This will appear from the account of the historical development of the indirect taxes from the Chou dynasty to the present day, to which we will now proceed.

I. CUSTOMS DUTIES

Confucius is an extreme free-trader, in regard to both internal and foreign trade.[1] But, according to the *Official System of Chou*, there were three places where commodities were taxed—the external custom-house (*kuan*), the internal custom-house (*mên*), and the market-places (*shih*). Commodities might be taxed at only one of these three places, but it was necessary to show receipts for the taxes paid be-

[1] *Cf. supra*, pp. 453-4.

fore they could pass any one of them. When a commodity was imported, a receipt was issued by the external custom-house when the import duty was paid, and this was examined on passing into the internal custom-house and market. When a commodity was exported, a receipt for the export duty was first issued by the controller of the market, and then examined as it passed through the internal and external custom-houses. The three authorities coöperated in order to prevent smuggling. Therefore, the Chou dynasty did not allow free trade in any commodity.[1]

1. *Customs Duties on Internal Trade*

After the Ch'in dynasty had consolidated the feudal states into a single nation, the internal trade of China was far more important than the foreign trade. Therefore, we shall first consider the inland customs of different dynasties.

According to history, from the Ch'in dynasty to the first part of the Tsin dynasty, customs duties did not exist. Therefore there was free trade, internal as well as external.

Customs duties were first revived by the Eastern Tsin dynasty. From the Eastern Tsin to the Southern Chen (868-1140 A. K. or 317-589 A. D.) custom-houses were established along the waterways. Such commodities as fuel, charcoal, fish, *etc.*, were taxed at ten per cent.

Under the Sung dynasty, the general rate of commodity tax when the commodity passed through inland customs was two per cent *ad valorem*.[2]

In later history, there was only one period during which the Confucian doctrine of absolutely free trade was realized. In 1713 A. K. (1162 A. D.) Kin Shih Tsung abolished all customs duties, and the custom-houses were ordered to in-

[1] Chs. xiv, xv.

[2] *General Research*, ch. xiv.

spect passengers only. This reform was proposed by Chang Chung-yen.[1]

The present dynasty has twenty-six principal custom-houses of the old type. They are both inland and maritime custom-houses. All the sub-stations established by each of them for the collection of duties and for inspection and search are confined to certain places. The general rate of duties is three per cent *ad valorem*. Many custom-houses require a customs fee, one-tenth of the duty itself, for administrative expenses. If there is no fee required, the expenses are defrayed by "the additional amount." The amount of collection of each custom-house is fixed, and it is divided into two parts, "the regular amount" and "the additional amount." When the duties collected fall below these fixed amounts, the director is responsible for the deficit; when they are above these limits, he should send to the government the actual amount collected.[2]

(a) *Tax on Ships*

Han Wu Ti began to tax the ships of merchants (423 A. K. or 129 B. C.). A ship over fifty feet long paid one hundred and twenty coins annually. It was simply a tax upon the instrument of trade. During the Five Dynasties (1458-1510 A. K. or 907-959 A. D.) there was a tax on ferry-boats. It was abolished by Sung T'ai Tsu (1511), but revived in later times (at least in 1622). In 1630 A. K. (1079 A. D.) the government established public warehouses and transported merchants' goods with government ships, in order to charge a tax for the ships. Yet private ships were freed from tax. It was only during the Southern Sung dynasty that ships were illegally taxed

[1] *Continuation of the General Research*, ch. xviii.

[2] The *Institutes of the Ts'ing Dynasty* (*Ta Ts'ing Hui Tien*), chs. xxiii, lviii, lx. *General Research of the Present Dynasty*, ch. v.

by local officials. The regular tax upon ships, as a tonnage duty collected by special officers, really began at the end of the Yüan dynasty, but was repealed after three years (1888-1891 A. K. or 1337-1340 A. D.).

The Ming dynasty established seven inland custom-houses for the collection of tonnage duties in paper money in 1980 A. K. (1429 A. D.). In 2076 A. K. (1525 A. D.) their number was twelve. All of them collected only tonnage duties from the ships, with the exception that two collected the commodity tax also. From 2031 to 2080 A. K. (1480-1529 A. D.) all the "paper-money custom-houses" gradually substituted for the collection of paper money the collection of silver. In the present dynasty, tonnage duties still exist.

(b) *Tax on Passengers*

The most objectionable form of taxation in Chinese history was the tax upon passengers. In 451 A. K. (101 B. C.) Han Wu Ti taxed the passengers in Wukuan, an important pass, for the expenses of its keepers. In the Northern Wei dynasty (1077 A. K. or 526 A. D.) and the Northern Chou dynasty (1131 A. K. or 580 A. D.), people coming to the market-places were taxed, one coin for one person; but such tax was abolished in 1132. Fortunately, these were the only cases.

(c) *Likin*

Besides the customs duty, there is the *likin*, or contribution of one-thousandth. It is a tax on commodities when they pass through any *likin* barrier. In 2404 A. K. (1853 A. D.), when the T'ai-p'ing rebels captured Nanking, the sources of revenue for military expenditures were cut off. Therefore, Lei Yi-hsien, a military officer, created the *likin* tax. At the beginning, it was a voluntary contribution from the merchants, and the government promised that it

should be abolished as soon as the rebellion should be put down. This tax was an important factor in preserving the present dynasty. But the government has not kept its promise, and the tax has now become an intolerable burden. Its legal rates vary in different provinces—some are one or two per cent, and some are five or nine per cent. According to the budget of this year (2462 A. K.), the total sum of *likin* is 43,187,907 taels.[1] It will be abolished in the near future.

2. *Customs Duties on Imports and Exports*

Before the Sung dynasty, the import duty levied on foreign goods was unknown. In 1522 A. K. (971 A. D.) the first maritime custom-house was established in Canton. Its purpose at first appears to have been regulation rather than revenue. The rate of customs duty was first made twenty per cent in 1542 A. K. (991 A. D.). During the reign of Sung Jên Tsung (1574-1614 A. K. or 1023-1063 A. D.), three maritime custom-houses were established in different places—Hangchow, Ningpo and Canton. Ten per cent of commodities was taken as import duties, and the government bought thirty per cent at reduced prices. In 1698 A. K. (1147 A. D.) the annual revenue, raised from both the duties and the purchases, amounted to two million strings. In 1715 A. K. (1164 A. D.) the system of government purchase was abolished, and the rate of duty was fixed at ten per cent.[2]

The tariff of the Yüan dynasty was changed several times. In 1828 A. K. (1277 A. D.) general commodities were taxed at the rate of one-tenth, and coarse commodities one-fifteenth. A distinction was drawn between native goods

[1] This sum is mixed up with other minor taxes.

[2] *General Research,* ch. xx.

and foreign goods. The former paid duties only half as high as the latter. This was the germ of protection. In 1834 A. K. (1283 A. D.) the tariff was changed so that fine goods paid one-tenth, and coarse goods five-tenths. In 1843 A. K. (1292 A. D.) the rates of tax on the sale of imported goods which had paid duties and were sold in the province where the custom-house was located, were fixed: fine goods paid one-twenty-fifth, and coarse goods one-thirtieth, and were exempt from other taxes. When the merchants bought commodities at the custom-houses, the commodities were not taxed twice; and they simply paid the tax at the place where they were sold. In the following year, the duties at all maritime custom-houses were regulated at the rate of one-thirtieth.

The Ming dynasty treated foreigners liberally, and sometimes made foreign trade free. In 1920 A. K. (1369 A. D.) a law was enacted that foreign goods imported by those who brought tribute should be exempted from paying duties, but sixty per cent of them should be bought by the government at a low price. The object of this policy was to show generosity to foreigners; it was more political than economic. Generally, imported commodities were required to pay duties.[1]

Under the present dynasty, a revolutionary change in Chinese policy was brought about by the Opium War. Before the war foreign trade was of the old type, and since the war it has been of a new one. We may first take up the old type. In 2236 A. K. (1685 A. D.), all foreign ships which brought tribute were exempted from duties. During the same year the rate of tonnage duty was reduced.[2] In 2249 A. K. (1698 A. D.) all foreign ships were

[1] *Continuation of the General Research,* ch. xxvi.

[2] Formerly, under the Ming dynasty, the import duty on foreign

classified into four classes, and the rates of tonnage duty were reduced to 1,120, 880, 480 and 320 taels. Owing to the difficulty of detecting them and assessing their value correctly, jewels, pearls, precious stones, *etc.*, were exempted from import duty in 2335 A. K. (1784 A. D.) by Kao Tsung.

Rice brought into China has not been subject to duty. In 2273 A. K. (1722 A. D.) the rice imported from Siam was freed from import duty. In 2276 A. K. her other commodities brought along with rice were also freed. In 2279 A. K. (1728 A. D.) a general law was enacted that rice and grain might be imported free. In 2294 A. K. a law lowering the duties on commodities brought in on foreign rice-ships was enacted: When a ship imported ten thousand bushels of rice, one-half of the duties on its other commodities was taken off; when it imported five thousand bushels, the exemption was thirty per cent.[1]

After the Opium War, the character of foreign trade was changed. In 2394 A. K. (1843 A. D.) the five ports—Canton, Foochow, Amoy, Ningpo and Shanghai—were opened to foreign trade; and since 2405 A. K. (1854 A. D.) maritime customs of the new type have been administered by foreigners. Hence there is a distinction between the old customs and the new ones. The tariff is five per cent *ad valorem*. Even this rate was not effective until 2452 A. K. (1901 A. D.). In 2456 A. K. (1905 A. D.) the total sum collected in the new customs was 35,111,004 taels. If China

goods had been changed to the system of taxing foreign ships according to their size (2122 A. K. or 1571 A. D.), because the frauds practiced by foreigners were not easily detected. European ships were classified into nine grades, each paying a fixed amount of duty according to its size. At a later time in the Ming dynasty, thirty per cent of the fixed amount was taken off in deference to the foreigners' petitions. In the same year (2236 A. K.), twenty per cent more was taken off.

[1] *General Research of the Present Dynasty*, ch. vi.

will abolish *likin*, the foreign countries have agreed to pay a surtax equivalent to one and one-half times the original rate, which would make the total amount twelve and one-half per cent.

According to the agreement made between China and Great Britain in 2409 A. K. (1858 A. D.), the following goods were duty-free: gold and silver bullion, foreign coins, flour, Indian meal, sago, biscuit, preserved meats and vegetables, cheese, butter, confectionery, foreign clothing, jewelry, plated ware, perfumery, soap of all kinds, charcoal, fire-wood, candles (foreign), tobacco (foreign), cigars (foreign), wine, beer, spirits, household stores, ships' stores, personal baggage, stationery, carpeting, druggeting, cutlery, foreign medicines, and glass and crystal ware. They paid no import or export duty; but if transported into the interior, with the exception of personal baggage, gold and silver bullion, and foreign coins, they paid a transit duty at the rate of two and one-half per cent *ad valorem*.[1]

These duty-free goods began to be liable for import duty in 2452 A. K. (1901 A. D.), the rate being five per cent *ad valorem*. Yet foreign rice, cereals, and flour, gold and silver, both bullion and coin, printed books, charts, maps, periodicals and newspapers are not liable to pay import duty.[2]

Until this unjust tariff has been revised, it will be difficult, if not impossible, for China to put a special excise upon native liquors and native tobacco. If she were to do so, the excise would be not only unjust, but also unproductive. Unfortunately, this is true in regard to many kinds of taxes. In fact, under the present system foreigners are protected at the expense of the Chinese.

[1] Hertslet's *China Treaties*, vol. i, p. 36.

[2] *Ibid.*, p. 170.

In regard to exports, they were formerly almost free. Although there were some regulations to forbid the exportation of certain goods, goods exported paid practically no duty, except in a few instances. The regular export duty was first fixed in 2393 A. K. (1842 A. D.), at about the rate of five per cent *ad valorem*. If China will abolish *likin*, she may raise the export duty to seven and a half per cent.

Under the treaty of peace made between China and Great Britain in 2409 A. K. (1858 A. D.), the tonnage dues have been fixed in this way: "British merchant-vessels, of more than 150 tons burden, shall be charged tonnage dues at the rate of 4 mace per ton; if of 150 tons and under, they shall be charged at the rate of one mace per ton." [1]

In conclusion, as her history shows, China has practically adopted the doctrine of free trade in her maritime customs. But, since public expenditures have been increasing all the time, China has been obliged to get revenue from customs duties. Therefore, although she has not adopted a protective tariff, she has been compelled to maintain a tariff for revenue. But, whenever she has wanted to derive revenue from her customs, her sovereign power has been interfered with by foreign nations. This is a great injustice. It checks China's industrial development and opposes needed financial reforms. It must be done away with.

II. BUSINESS TAXES

1. *Tax on Buildings*

According to Mencius, the buildings of merchants should not be taxed.[2] But, according to the *Official System of Chou*, the taxes on merchants took many forms, namely, a tax on shops, a tax on open grounds upon which those who had no shops stood to conduct their business, a

[1] Hertslet's *China Treaties*, vol. i, p. 28.

[2] *Cf. infra*, p. 697.

tax on residences and warehouses, *etc.* These taxes were mostly paid in money. But some were paid in produce. For example, the tax of the butcher was collected in the form of skins, horns, muscles and bones—the by-products of his industry which were manufactured in the government factories.[1]

In 1077 A. K. (526 A. D.) the Northern Wei dynasty classified the buildings of the markets into five grades for the purpose of taxation. Under the Ming dynasty, the buildings of merchants were taxed in paper money, monthly or quarterly, in accordance with the kinds and the size of their business. In 2303 A. K. (1752 A. D.) the "firm tax" in Peking was regulated by the present dynasty, as follows: Firms whose capital was large were classified into the first class, and were required to pay five taels of silver annually; the middle class paid half this amount; and the lowest class was exempted. The magistrates personally inspected the firms every year and classified them according to their actual condition.

The tax on water-power mills began in the Sung dynasty (about 1630 A. K. or 1079 A. D.). In 2261 A. K. (1710 A. D.) the present dynasty taxed the water-power mills of Szechuan at the rate of $5\frac{33}{100}$ taels of silver. This was a factory tax.

2. *Tax on Carriages*

The tax on the carriages of merchants began with Han Wu Ti (423 A. K. or 129 B. C.). In 433 A. K. (119 B. C.) the tax was extended to the common people. If not an officer or a soldier, a person was required to pay one hundred and twenty coins annually for the possession of a carriage. But the carriage of the merchant paid double this rate.[2] This tax did not last very long.

[1] Ch. xv.

[2] *History of Han,* chs. vi, xxiv.

The Ming dynasty began to tax carriages for hire (1980 A. K. or 1429 A. D.). The tax was paid in paper money.[1] Under the present dynasty, carriages have not been subject to taxation until recently, when a new system of police was established. But this tax is insignificant.

3. *Tax on Money*

In 433 A. K. (119 B. C.), Han Wu Ti began to tax reserved cash according to the number of strings. All business men who carried on manufacturing, banking, trade, storage and transportation were required to make a self-assessment of their reserved cash. The rate of tax was six per cent. The cash of all craftsmen who made money by selling their products was taxed at three per cent. One who did not assess or did not tell the whole truth, was banished to the boundaries for one year, and his money was confiscated. If there was an informer, half of the concealed money was given to him as a reward. Hence, in 435 A. K. (117 B. C.) such informations were frequent over the whole empire, and the well-to-do families were often prosecuted. This tax applied to practically all classes, many rich families were destroyed, and the people were led to care only for present consumption and to desist from saving. In 439 A. K. (113 B. C.) the government lent the people mares for the making of interest at ten per cent every three years—that is, the people returned ten mares and one young horse at the end of three years. Since the government expected to get "horse interest," Wu Ti abolished this tax in that year.[2]

The tax on reserved cash was a tax on capital, but an exception was made on behalf of craftsmen. Their

[1] *Continuation of the General Research,* ch. xviii.

[2] *History of Han,* ch. xxiv.

money was taxed at only half the rate on that of merchants. This was because they depend upon their labor more than do merchants, and cannot make as much profits as merchants. This was the first time that a tax was levied directly on cash. The worst result of it was the encouragement it gave to informers.

During the first year of the reign of Tang Su Tsung (1307 A. K. or 756 A. D.), when the great rebellion broke out, the provincial governments taxed the merchants for military expenses. Cash in excess of one thousand coins was taxed. In 1333 A. K. (782 A. D.) Tang Tê Tsung taxed merchants' cash transported through the internal customs, at the rate of two per cent.[1] These were the only cases where the money of merchants was legally singled out to be taxed. In other cases, money was included in the general property tax.

4. *Tax on the Guilds as a Whole*

During the Sung dynasty, all the different trades in the capital had guilds. When the government needed anything, the guilds were responsible for supplying it. They frequently suffered loss. Lü Chia-wên proposed to assess the amount of the income of each guild, and make it pay a tax instead of supplying goods. When the government wanted commodities, it bought them through the officials, and the guilds were freed from the obligation of supplying them. This was called "the emancipated-guild tax," enacted in 1624 A. K. (1073 A. D.). It was a tax upon the guild as a whole. Each trader had to register in the public office as a member of the guild and to pay this tax monthly.[2]

[1] *New History of Tang,* chs. li, lii.

[2] *Continuation of the General Political History,* edited by Pi Yüan (2280-2348, or 1729-1797 A. D.), ch. lxix.

III. LICENSE TAXES

1. *Tax on Fishery*

According to the principles of Confucius, the people should be allowed to fish in any water without paying a tax. Mencius describes the government of Wên Wang, saying that he gave no prohibitions respecting the ponds and weirs.[1] Indeed, when fishing is on a small scale and conducted by the poor for their daily living, it should not be taxed at all.

The tax on fishery, however, was an old tax. According to the *Official System of Chou*, its proceeds came to the "treasury of jade" for the use of the emperor.[2] The state of Ch'i made the sea the state treasury, and controlled fishery as a government monopoly.[3] The Han dynasty had the "sea rent," a tax upon fishermen. During the reign of Han Wu Ti the government itself fished in the sea. From the Han dynasty to the Ming dynasty there has been a tax levied upon rivers, lakes, ponds, *etc.*, paid by fishermen, although it has been remitted or exempted many times. The Ming dynasty made this tax prominent, and established officers to take charge of it, known as the *ho po so*.

In the present dynasty, the license to fish belongs in the class of miscellaneous taxes. Each of the twelve provinces has a fixed amount of this tax. As to the license fee, each license in Kinchou (Fungtien) costs annually a half tael of silver. But each net in Pehtuna (Kirin) must pay twenty taels.[4]

2. *Tax on Brokers*

This tax must be a very old one, but we cannot discover its origin. It was once abolished during the Yüan dynasty

[1] *Classics*, vol. ii, p. 162.

[2] Ch. iv.

[3] *Classics*, vol. v, pt. ii, p. 683.

[4] *Cases of the Institutes of the Ts'ing Dynasty*, ch. ccxlv.

(1836 A. K. or 1285 A. D.). Under the present dynasty, the brokers' license are issued by the commissioner of finance in each province, and their number is limited. When any firm is incorporated for conducting the transfer of certain goods from seller to buyer at fixed rates of commission, it must get a license. Such license has three classes. Take, for example, Kiangsi province. The first class annually paid three taels of silver; the second, two taels; the lowest, one tael (2311 A. K. or 1760 A. D.). In 2343 A. K. (1792 A. D.) ten firms were established in Nanning (Kuangsi) and each was annually taxed at five taels of silver.

3. *Tax on Pawnshops*

In 2203 A. K. (1652 A. D.) the license fee for pawnshops established in the provinces was fixed by the present dynasty at five taels a year.[1]

IV. EXCISE TAXES

1. *General Excise Taxes*[2]

We have already learned that Confucius does not approve of indirect taxes, and exempts all commodities either passing through custom-houses or sold in market-places from taxation.[3] We may quote one more passage from

[1] Closely related to the license taxes are the incorporation fees established by the present dynasty in 2455 (1904 A. D.). All kinds of business may be incorporated in the Department of Agriculture, Industry and Commerce. The fees for incorporation vary from fifty *yen* to three hundred, according either to the number of partners in a partnership, or to the amount of capital in a stock company. The incorporation fee for the different kinds of banks incorporated in the Department of the Treasury is four taels of silver. It was fixed in 2459 (1908 A. D.).

[2] Such a term is only approximate, and does not mean that everything is subject to excise tax.

[3] *Cf. supra*, p. 634.

Mencius: "If, in the market-places, a ruler simply establish public warehouses without taxing commodities, and simply enforce commercial regulations without taxing merchants' residential houses, then all the merchants of the world will be pleased, and wish to store their goods in his market-places." [1] In another place Mencius declares that a tax imposed either in the custom-house or in the market-place is as unjust as the stealing of a neighbor's chickens.[2] Therefore, according to the principles of Confucius, no commodity should be taxed.

As a matter of fact, however, the tax on commodities is very old. According to the *Official System of Chou*, the tax in the market-places was suspended only during a famine or an epidemic. Such a suspension was for the purpose of lowering prices.[3]

In 1331 A. K. (780 A. D.) the Tang dynasty taxed the commodities of merchants at the places where they carried on their business, the rate being one-thirtieth *ad valorem*. In the following year, on account of military expenses, this rate was raised to one-tenth.[4]

In 1509 A. K. (958 A. D.) the Latter Chou dynasty taxed live-stock at three per cent of the selling price. In the Sung dynasty the general rate of commodity tax was the same.[5]

Under the Kin dynasty the rates of the commodity tax were regulated in 1731 A. K. (1180 A. D.). The tax on gold and silver was one per cent, and that on other commodities three per cent. Subsequently the first rate was increased to three per cent, and the second to four. In 1758 A. K. (1207 A. D.) the minister of finance wished to tax gold and silver at the same rate as other commodities, be-

[1] *Cf. Classics,* vol. ii, p. 199.

[2] *Ibid.,* p. 278.

[3] Ch. xiv.

[4] *General Political History,* ch. ccxxvi.

[5] *General Research,* ch. xiv.

cause they are precious things and possessed by the rich. Such a theory was just. But other officials said that it would encourage concealment. Therefore, the rates remained unchanged.

The Yüan dynasty fixed the commodity tax at the rate of one-thirtieth in 1821 A. K. (1270 A. D.), and raised the rate to one-twentieth in 1849 A. K. (1298 A. D.). Therefore, in 1821 A. K. the total amount of this tax was fixed at 45,000 ingots of silver, each ingot being fifty taels; but in 1880 A. K. (1329 A. D.) the actual amount was over 939,568 ingots. The tax was oppressive.

In 1915 A. K. (1364 A. D.) Ming T'ai Tsu regulated the commodity tax at the rate of one-thirtieth. In 1919 A. K. he exempted books and agricultural implements from tax. The total amount of the annual tax in 2095 A. K. (1544 A. D.) was 156,204 taels of silver. One of the worst abuses of the Ming dynasty was the sending of eunuchs to the provinces as tax commissioners (2147-2171 A. K. or 1596-1620 A. D.). This was one of the causes of the fall of the Ming dynasty.[1]

In the first year of the present dynasty (2195 A. K. or 1644 A. D.) the tax on the sale of domestic animals was regulated at three per cent *ad valorem*.[2]

Lo-ti-shui is a tax upon commodities when brought to market. Such a term appeared in the Ming dynasty. The present dynasty classified it under the head of miscellaneous taxes. It is insignificant now, but it should be abolished.

(a) *Farming Out the Commodity Tax*

The farming-out of the commodity tax began in the Sung

[1] *Continuation of the General Research*, ch. xviii.

[2] *Cases of the Institutes of the Ts'ing Dynasty*, ch. ccxlv.

dynasty. The farmers paid a fixed price, which was really a tax, and it was used for local and national expenditures. Formerly, farmers were the keepers or transporters of government property (a forced labor), and it was intended that they should derive profits from their farming. They were required to pay a pledge, and the right of collecting the tax expired at the end of a certain term. In 1621 A. K. (1070 A. D.), when forced labor was changed to hired labor, the price of such right became a competitive price. The government sold it to anyone who offered the highest price. In the following year the farmer was taxed at five per cent of the price he paid. Generally the farmer could not make a good profit, and even met with loss, because the price was too high.

Such a farming-out of taxes was confined to a certain market-place for the taxes on all commodities or to a certain trade in a definite locality. It has never applied to direct taxes. The purposes of this system were to insure the regularity of the revenue and to avoid the trouble of collection. Since the market-place in a country town was small, and the particular trade simple, it was not economical for the government to establish a special office to collect the insignificant taxes. Moreover, the government sometimes utilized the farmers only as pioneers for a new or undeveloped tax, and itself collected the tax as soon as this was worth while. It would have been even better to abolish such taxes; in lieu of this, the system was at that time justifiable.

Under the Yüan dynasty a strange thing occurred. In 1790 A. K. (1239 A. D.) a merchant bought the right of taxing commodities in all the provinces for 2,200,000 taels of silver. Of course, this was a barbaric way of the Mongol. Except for this instance, China has never farmed out a tax on a national scale. Even this case was confined to

northern China only, because southern China was at that time held by the Sung dynasty.

In the present day this system still exists. One form of it is for the government to bestow a monopoly of the taxed product upon certain merchants, the salt merchants being the best example. The other is for the government to confer on the merchants the right of collecting a tax, *e. g.*, the particular guilds in Canton which collect the particular taxes levied upon their particular goods. But China has no excuse for not abolishing this system to-day.

2. *Special Excise Taxes*

The special excise taxes are far more important than the general excise taxes. Historically, they were sometimes the chief sources of revenue. Most of them have the characteristic of government monopoly, either in their original development or in the present administration, but they are really taxes. A fair characterization is to say that they were originally public prices and have developed into excise taxes.

According to the principles of Confucius, all natural resources should be opened to the people as a whole, and should not be monopolized by the government. But if they were opened to the people freely, the rich would get a monopolistic power over them, and the poor would be excluded. Therefore, the Confucians in later ages held the opinion that natural resources should be controlled by the government. The government should allow everyone to have access to them, and should tax their products, but should not monopolize them. The taxes on the products derived from natural resources are justified by the fact that large use is made of them only in connection with the capitalistic production of the rich, not by the poor. For the same reason, a tax upon the profits of manufacturers or

merchants would be better than one upon the land of farmers. Although excise taxes are shifted, they are nevertheless taxes on profits, because the products taxed come from highly capitalistic enterprises. This is true of the businesses of salt, iron, and the like. China has not produced great industrial kings since the middle part of the Han dynasty, because the government has either monopolized natural resources or taxed them at a high rate. In short, little room has been left for capitalistic enterprises.

(a) *Tax on Timber*

According to the *Official System of Chou*, the forests were controlled by the government, and all the natural products, such as the teeth, horns, bones and feathers of animals, *pueraria* and other grasses, fuel, charcoal and coal, fruits and vegetables, were subject to taxes. Timber was taxed at the rate of twenty-five per cent.[1]

When Kuan Tzŭ became the minister of Ch'i, he put forests and grasses under government monopoly. The woods of the mountains were classified into three classes—for fuel, for buildings and for coffins—and were required to pay three rates of tax.[2] Such a monopoly of natural resources lasted to the end of Ch'i.[3] But these practices were not in harmony with the principles of Confucius.

The tax on the transportation of bamboo and timber began with the kingdom of Latter Ch'in (about 944-967 A. K. or 393-416 A. D.). The Tang dynasty revived this tax in 1333 A. K. (782 A. D.), and it was abolished in 1335. During the Southern Sung dynasty this tax was revived again.

[1] Chs. xvi, xiii.

[2] *Kuan Tsŭ*, chs. lxxx, lxxiv.

[3] *Classics*, vol. v, pt. ii, p. 683.

The Kin dynasty established a special bureau for taxing bamboo, and fixed the amount of the annual tax. During the Yüan dynasty, bamboo was a government monopoly.

The Ming dynasty also taxed bamboo and timber at different percentages—ten, twenty, or thirty per cent. Under the different dynasties, the bamboo and timber collected through the tax were used for buildings and other purposes. In 2022 A. K. (1471 A. D.) the tax was paid in money, and it was turned into the department of labor for the expenses of building and manufacture. Under the present dynasty, the tax on timber is three or ten per cent.

(b) *Tax on Mineral Products*

The tax on mineral products began in the Chou dynasty. According to the *Official System of Chou*, gold, jade, tin and precious stones were subject to a government monopoly.[1] Kuan Tzŭ pursued the same policy, and all mines of iron, lead, silver, cinnabar, gold, copper, *etc.*, were brought under a government monopoly.[2]

The chief product under the government monopoly of Kuan Tzŭ was iron. It was taxed at thirty per cent.[3] Kuan Tzŭ regarded this tax as important as that on salt.[4] In 433 A. K. (119 B. C.), Han Wu Ti first made iron a government product exclusively. The government estblished "iron officers" over different prefectures, and made iron wares for sale. Since that time iron has sometimes been under a government monopoly and sometimes under a special tax. Over the entire period of Chinese history the system of government monopoly has been the more frequent, although the government rarely undertook to make

[1] Ch. xvi.
[2] Ch. lxxvii.
[3] Ch. lxxxi.
[4] *The Ancient History of China*, p. 204.

iron wares, contenting itself with controlling the raw material merely.

In 1065 A. K. (514 A. D.) the Northern Wei dynasty established "silver officers" to take charge of the mining and manufacturing of silver. Under this dynasty there were also more than one thousand families in Hanchung (Shensi) who were called "gold families," getting gold in the Han River and sending it at the end of the year to the government.[1]

The tax on mineral products began to assume great importance in the Tang dynasty. Under this dynasty there were 168 mines of gold, silver, iron, tin, *etc.*[2] In the Sung dynasty there were also 271 mines.[3]

Over all mines there were special officers. Some mines were opened by the government with its own capital, and some were bought by people who paid a certain percentage of the products to the government, usually twenty per cent. But, in any case, the government had monopolistic power over the mines, because it not only taxed their products, but also bought them at a fixed price.

Through the Yüan, the Ming, and the present dynasty no great changes in policy have been made. In the present dynasty, when the tax on mineral products was twenty per cent, the government bought forty per cent of the product at a fixed price, and permitted the remaining forty per cent

[1] *History of Wei,* ch. cx.

[2] During the reign of Tang Hsien Tsung (1357-1371, or 806-820 A. D.), the annual taxation of different mines was at the following amounts: 12,000 taels of silver; 266,000 catties of copper; 2,070,000 catties of iron; 50,000 catties of tin; lead having no regular amount.

[3] In 1629 (1078 A. D.), the amounts of taxes levied upon different mines were as follows: 10,710 taels of gold; 215,385 taels of silver; 14,605,969 catties of copper; 5,501,097 catties of iron; 9,197,335 catties of lead; 2,321,898 catties of tin; 3,356 catties of quicksilver; 3,646 catties and more than 14 taels of vermilion.

to be sold freely by the miners; or, the tax might be ten per cent, when the government might buy the remaining ninety per cent; or, the tax might become thirty per cent, when the rest was sold by the miners themselves. Sometimes the government used its own capital, and made contracts with the merchants for the execution of such business. Sometimes the government itself opened the mines.

The government monopoly of alum began in the Tang dynasty. It was abolished in 1389 A. K. (838 A. D.), and the alum mines were left to be controlled by the local governments. The Five Dynasties established special officers to monopolize them. During the Sung dynasty the alum tax became important. In 1634 A. K. (1083 A. D.) the annual tax was 337,900 strings.[1]

Passing through the Kin, the Yüan and the Ming dynasties, there was also government monopoly of alum. In the *Law Code of the Ts'ing Dynasty* an article provides that the punishment for unlicensed alum is according to that for unlicensed salt.[2] Therefore, although the alum tax at the present day is insignificant, alum still has the character of a government monopoly.

The present dynasty put the mining regulations into their present form in 2455 A. K. (1904 A. D.). The license tax is one hundred taels for ten square miles, and one tael is added for each additional square mile, thirty square miles being the limit. Operators are also required to pay one year's land tax. When mineral products are extracted out of ores, no more land tax is required, but the products are taxed according to the following rates: The tax on coal, antimony, iron, alum and borax is five per cent *ad valorem;* that on kerosene oil, copper, tin, lead, sulphur and vermilion,

[1] *History of Sung,* ch. clxxxv.

[2] Ch. xiii.

seven and a half per cent; that on gold, platinum, silver, quicksilver and spelter, ten per cent; that on diamonds, quartz crystals, and other precious stones, twenty per cent. When these products are exported, they are also required to pay custom duties.

There are many reasons why the mineral resources of China have not been extensively developed. First, the government did not want to open the mines. Take, for example, Tang T'ai Tsung, a typical emperor. In 1187 A. K. (636 A. D.) Ch'üan Wan-chi, a favorite of his, told him that an annual revenue of several million strings could be obtained by opening two silver mines. T'ai Tsung said in part: "What I want is not money. I am only sorry that I receive no good advice which can benefit the people. You have never recommended a worthy person nor dismissed an unworthy person. But you speak only of the profit of taxing silver. Do you want me to be Huan and Ling?" Then he dismissed Wan-chi immediately.[1]

Second, the opening of mines sometimes did harm to the people, because the officials required a fixed amount of tax from the miners without regard to their output. About the end of the Ming dynasty (2147-2156 A. K. or 1596-1605 A. D.) mining was looked after by the eunuchs, and this was one cause of the fall of that dynasty. Hence the opening of mines came to be regarded as disadvantageous.

Third, there was an economic consideration. Since China was an agricultural country, she did not like to let the people leave their farms for the mines. Moreover, the laborers working under ground were usually not good citizens, because good men would not engage in this labor. Hence there was a dread that a great number of bad men

[1] Huan Ti and Ling Ti were the two bad emperors of the Latter Han Dynasty. *General Political History*, ch. cxciv.

or adventurers coming from different regions to the mines would disturb the peace of the empire. For, since mines are subject to the law of diminishing returns, although it is easy to get laborers when mining is profitable, it would be difficult to send them home when the profit was exhausted. This theory was well expressed in an edict of Ts'ing Shih Tsung (2275 A. K. or 1724 A. D.).

Added to these three reasons which operated in the past, the lack of capital, science and machinery are other causes at the present time. For all these reasons together, the Chinese mines have not been greatly developed. This may prove a very fortunate thing for the future, since China has thus preserved her natural resources while western countries have been exhausting theirs at a rapid rate.

(c) *Tax on Salt*

The government monopoly of salt began with Kuan Tzŭ.[1] This tax continued practically throughout all dynasties, and has become the chief item among the excise taxes. There are many theories and regulations about this tax, but we have no need to enter into them. According to the budget of this year (2462 A. K.), the total tax on salt is about forty million taels. When the present method of collecting the tax has been reformed, the government will get a greater revenue than it does now, while at the same time the people may enjoy a lower price.

(d) *Tax on Liquors*

According to the principles of Confucius, there is no absolute prohibition against liquors, but they should be regulated. If there is a gang gathering for unlawful drinking and plotting against the government, they may be put to death. If the drinkers have simply fallen into a bad habit,

[1] *The Ancient History of China,* pp. 203-4.

they should be taught instead of being put to death.[1] According to the *Official System of Chou*, there was an officer (*p'ing shih*) to inspect liquors and regulate them.[2] The law of the Han dynasty provided that if three men or more should drink together without special reason, they should pay a fine of four taels of gold.[3] Therefore, the people had no right to drink at a gathering, unless the government gave them a special permit. There were two reasons for the prohibition of spirits: one moral and the other economic the latter being that distilled spirits waste grain, which is the food of the people.

The government monopoly of liquors began with Han Wu Ti (454 A. K. or 98 B. C.). Since that time liquors have been sometimes prohibited, sometimes made by licensed private distillers, and sometimes controlled as a government monopoly. During the reign of Sung Jên Tsung (about 1600-1604 A. K. or 1049-1053 A. D.) the annual tax on liquors and distillers' grains amounted to 14,986,196 strings. In the present dynasty there is no government monopoly of liquors, but the tax on them has been greatly increased since 2452 A. K. (1901 A. D.). In China there are no saloons, so there are no saloon licenses.

(e) *Tax on Vinegar*

Connected with the tax on liquors was the tax on vinegar. The government monopoly of vinegar began in the Wei dynasty. It was practised during the Five Dynasties, the Sung, the Kin and the Yüan dynasties. The Ming dynasty did not monopolize it, but levied on it a license tax. In the present dynasty vinegar is not subject to a special tax.

[1] *Classics*, vol. iii, pt. ii, pp. 411-2.

[2] Ch. xxxvi.

[3] *History of Han*, ch. iv (commentary).

(f) *Tax on Tea*

Tea was first taxed in 1333 A. K. (782 A. D.), but this tax was abolished in 1335. In 1344 A. K. (793 A. D.) tea first became the object of a permanent tax. It was taxed in both the tea-growing districts and the important passes—ten per cent *ad valorem*. Before 1372 A. K. (821 A. D.) the annual tax amounted to four hundred thousand strings The rate of tax was doubled in 1372. Li Yü expressed a protest in the following words: Since tea is necessary to the people, a heavy tax must increase its price and hurt the poor. Since tea is naturally produced in large amount, and since an increase of tax depends upon its sale, a high price will cut down the demand. His reasoning is correct, and it is true in regard to other excise taxes in general. But the government did not accept it. In 1386 A. K. tea began to be monopolized by the government, but the monopoly was abolished in the same year. In later times the tax on tea became higher and higher.

At the beginning of the Sung dynasty the government monopolized tea. In 1585 A. K. (1034 A. D.) the total tax was annually 1,500,000 strings. In 1610 A. K. (1059 A. D.) there was the system of "free trade," that is, the government simply taxed the tea-farmers and the tea-merchants without monopolizing tea. In later times, tea was sometimes under government monopoly and sometimes under the "free-trade" system. The Yüan, the Ming, and the present dynasty have adopted the latter system. When the merchants want to buy tea from the tea-farmers, they must first buy tea-certificates from the officials. Then they pay taxes to the inland customs according to the certificates. If the amount of their tea does not correspond with the certificates, or if their tea is separated from the certificates, they are punished as smugglers. Nor are the tea-farmers allowed to sell tea to those who have no certificates. Accord-

ing to the budget of this year (2462 A. K.), the total tax on tea is about six million taels.

(g) *Tax on Incense*

During the Sung dynasty, besides tea, salt and alum, there was a great revenue coming from frankincense or gum olibanum. It was bought up exclusively by the government from foreigners, and then sold directly to consumers. Sometimes the government sold it to the merchants, who in turn sold it to consumers. In short, frankincense was a government monopoly.[1]

(h) *Tax on Ginseng*

Ginseng is a plant the root of which is supposed to resemble the human body in shape. In Hsü Shên's *Dictionary*, published in the Han dynasty, it was recognized as a medicine. In the Tang dynasty it became an item of tribute to the emperor from the prefecture of T'aiyüan, Shansi. Today the Chinese value it very highly.

Since the best kind of ginseng is found in Manchuria, the present dynasty, from its very beginning, put the ginseng mountains under special governmental control. The ginseng-gatherers must get a license, and the number of licenses is limited. The gatherers are strictly controlled as to where they shall go and when they shall return. In Shêngking, the tax for each license is five maces of ginseng, and in Kirin, two taels. After the ginseng-gatherers have offered to the government the best ginseng, the remaining ginseng is allowed to be sold to the merchants in the government firms. The price was fixed in 2360 A. K. (1809 A. D.) at twenty taels of silver for one tael of the best ginseng. The merchants are not allowed to bring with them the ginseng which they have bought into Shanhaikuan, the pass at the

[1] *History of Sung*, ch. clxxxv.

east end of the Great Wall. The government transports it for them with the government ginseng, and charges them the freight and customs duty. One catty of the ginseng of Shêngking pays four taels of silver for the freight and customs duty, and that of Kirin pays six taels. Therefore, ginseng is subject to a very strict excise tax.[1]

(i) *Tax on Tobacco*

Tobacco began to be used during the Ming dynasty. It was called "evil thing" at the beginning of the present dynasty, and it was proposed to prohibit it during the reign of Jên Tsung (2347-2371 A. K. or 1796-1820 A. D.). According to the old regulations of 2331 A. K. (1780 A. D.), one hundred catties of tobacco pay four maces and six candareens of silver to the inland customs. In 2435 A. K. (1884 A. D.) the Department of the Treasury began to propose a license tax for the tobacco firms. This tax will become important in the future.

(j) *Tax on Opium*

Originally China prohibited opium. In 2390 A. K. (1839 A. D.) the prohibition were made extremely stringent. The importers, producers, sellers, planters and smokers were all punished with death, although by different methods. But English merchants smuggled in opium constantly. Through the Opium War (2393 A. K. or 1842 A. D.), England forced China to accept opium. Hence the Chinese prohibition of opium was done away with, and the Chinese have since planted the native opium. This was the consequence of England's importation of opium. In 2455 A. K. (1904 A. D.) the tax on native opium collected by the customs was 3,750,598 taels, while the import duty on foreign opium amounted to 6,025,121 taels.

[1] *Institutes of the Ts'ing Dynasty*, ch. xx. *Cases of the Institutes of the Ts'ing Dynasty*, chs. ccxxxii, ccxxxiii.

In 2457 A. K. (1906 A. D.) a decree was issued that opium should be absolutely prohibited for a period of ten years. The acreage of opium-growing land and the number of opium-smokers have been greatly reduced.

V. TAXES ON TRANSACTIONS

Taxes on transactions began in the Chou dynasty. According to the *Official System of Chou,* all commercial transactions were done by bills (*chih chi*), long ones for large transactions and short ones for small transactions. There were also the written tallies (*shu ch'i*) used as checks and receipts.[1] The bills and tallies were made by the government, with stamps upon them. Their nature resembled that of stamp tax, and there were fines for the punishment of fraud and evasion.

From the Eastern Tsin dynasty to the Chen dynasty (868-1140 A. K. or 317-589 A. D.), transactions in slaves, horses, cattle, land and houses were made binding by means of documents or title-deeds. The tax was four per cent *ad valorem*—three per cent being paid by the seller and one per cent by the buyer. Even if the transaction was not effected by means of a document, the value of the object was determined and taxed also at four per cent.[2]

In 1334 A. K. (783 A. D.) a tax on money-payments was created. In all public and private payments, fifty coins out of one thousand were retained for the government, making the tax-rate five per cent. When there was a payment in things or an exchange of commodities, such a transaction was figured out in terms of money. The brokers were given records for the writing down of their daily transactions, the total amount of which was calculated on the

[1] *Cf. supra,* pp. 432, 448-9.

[2] *History of Sui,* ch. xxiv.

following day. Those whose transactions did not pass through brokers were given records for themselves, and those who received no records offered the deduction themselves, together with the statements of facts. If one concealed one hundred coins, two thousand coins were confiscated, and sixty blows with the long stick were inflicted upon him. The informer of the concealment was rewarded with ten thousand coins, paid by the evader. When this law was put into effect, the brokers monopolized the power of collection, and there was great fraud. The government got less than half the tax, and discontent prevailed over the whole empire. In the following year (1335) the law was abolished.[1] This tax was a bad one but it made use of the method of stoppage at the source.

The tax on title-deeds became a great source of revenue during the Sung dynasty. All purchasers and mortgagees of real estate and cattle were required to present their title-deeds to be stamped with the official seal and to pay an *ad valorem* tax. The time limit for doing so was not over two months. If this limit was exceeded, the tax was doubled. Without the seal, deeds received no legal protection. Deeds were also sold by the government, at a profit. From 1595 to 1672 A. K. (1044-1121 A. D.) the tax was four per cent *ad valorem;* but in 1722 A. K. (1171 A. D.) it was raised to 12.12 per cent. This tax was an important item for the meeting of military expenditures.

Shortly before 1771 A. K. (1220 A. D.) the people were allowed to buy the stamped document to be pasted on to a private deed, and this was sufficient. This was quite like a stamp tax. But some trouble arose in connection with the land-tax system, as the government did not know where the purchaser of the land was. Therefore, it was again re-

[1] *Old History of Tang,* ch. xlix.

quired that transactions should pass through the hands of officials (1771).[1]

In the present dynasty, the tax on title-deeds was fixed at three per cent *ad valorem* (2198 A. K. or 1647 A. D.) Since 2286 A. K. (1735 A. D.) mortgages have not been taxed. In 2340 A. K. (1789 A. D.) the time-limit for paying the tax was fixed at one year. But this tax does not produce any great revenue; for the purchasers of lands and houses are not compelled to have their deeds stamped, because when they do so, they may conceal the acreage or the price, and because the clerks and officials are often corrupt. Moreover, the law itself is not good, since it fixes a certain amount for certain districts or provinces.

In 2458 A. K. (1907 A. D.) the stamp tax was enacted. While there were different rates for different transactions, the general rate was .2 per cent upon a transaction whose value was above ten thousand copper coins. But this act has not been universally put in force.

VI. CONCLUSION

To the extent that a state needs revenue, it cannot follow strictly the principles of Confucius for the abolition of all indirect taxes. But, to conform to his ideas, and at the same time to supply the fiscal needs of the state, we might adopt this program: China should abolish all customs duties on internal trade, leaving only those on imports and exports; it should abolish all excise taxes in general, except a very few on special products. Transactions should not be taxed at all. There should be no stamp tax. The business tax and the license tax should be changed to direct taxes, so as to make them taxes on net income In these ways indirect taxes could be reduced to a minimum.

As regards direct taxes, we might adopt this program:

[1] *General Research,* ch. xix.

The poll tax, family tax, and general property tax, which China abolished long ago, should not be revived. The land tax should remain, and the house tax should be universally adopted. The income tax should be highly developed, and the inheritance tax should be re-introduced. In short, China should tax income rather than property.

As to her financial system as a whole, China must make a radical change and make her system conform to the principles of modern finance, modified to suit the customs, ideals, and economic needs of the Chinese people.

PART V

CONCLUSION

CHAPTER XXXVI

Conclusion

Since we have discussed and criticized topic by topic, all the subjects which we have considered, it remains only for this final chapter to bring together our conclusions.

According to the order we have adopted, we should first say something about consumption. Confucius prescribed different standards for different classes—somewhat as in a sumptuary law. There is no doubt that this has checked economic development to a certain extent. But the fundamental idea of Confucius' sumptuary regulations was not so much social as economic. He feared that the production of wealth would not be sufficient for everyone if everyone extended his wants without restraint. He perceived the law of diminishing returns, and his idea was justified by the fact that in ancient times production was on a very limited scale. Again, under the monarchical government of the old type, a sumptuary law was necessary for the preservation of social classes. Moreover, since Confucius permitted anyone to raise himself to the higher classes, everyone might consume more as his social standing became higher. Therefore, sumptuary regulations do not really prevent economic development, provided the individual is capable of elevating himself. The word noble and the word rich are interchangeable. In Chinese history the sumptuary regulations have had little or no effect, and rich people may consume anything except a few things connected with official distinctions. We must therefore seek the explanation for the stationary production of China in other causes. Con-

fucius is not responsible for it, because different standards for different classes in accordance with their incomes are natural and inevitable.

We must now explain why Chinese economic life has been stationary for so many centuries and production has made so little progress. The first cause is in the ethical field. A man always has two kinds of motives, economic and ethical. But the economic motive is generally stronger than the ethical motive. Confucius, however, teaches men to subject the former to the latter. Such a teaching is not always accepted and acted upon, but it has been followed in China to a remarkable extent. For this reason the Chinese are ashamed to talk about money-making, and production is checked. Confucius is responsible for it, but we should not wish to criticize him on this account.

Second, there has been a philosophical reason for China's lack of progressiveness. Both Taoism and Buddhism are too spiritual, disregarding material welfare. Under the Tsin dynasty and the Southern Dynasties, the scholars were fond of "pure conversation," abstract and mystical. This was because of the influence of Taoism. Wang Yen (807-862 A. K. or 256-311 A. D.), who did not even speak the word "money," is an example. The philosophy of Buddhism is to extinguish human wants, and to make life as hard as possible. Under its influence the scholars of the Sung, the Yüan, the Ming, and even the present dynasty, were little concerned about economic problems. Of course, this was due not only to Buddhism, but also to Confucianism. But Confucianism never goes to extremes. Even the Confucian scholars have been somewhat influenced by Buddhism. The philosophical views of these three religions have, therefore, combined to check economic progress, but especially Taoism and Buddhism.

Third, there has been an educational reason for China's

backwardness. After the Han dynasty China had practically no public education adapted to the daily needs of the people. From the Wei dynasty to the Tang dynasty, literature in the narrow sense was most popular. From the Sung dynasty to the present day, although the study of the *Four Books*[1] and the *Five Canons* has been very popular, students generally have not made much use of them. The worst feature of all was the requirement known as the "modern essay" (*pa ku* or "eight parts.") It was established in 1921 A. K., and finally abolished in 2453 (1370-1902 A. D.). Every official had to pass civil-service examinations, so that all students had to learn how to write the modern essay. Therefore, the object of their study of the *Four Books* and the *Five Canons* was, generally speaking, not to make use of them, but to pass examinations. This was really a profanation of the Confucian Bible. The modern essay was of no practical use, but its styles were various and complex, and its mastery required long practice. Even the best of this form of writing, however, is not good enough to be ranked with other kinds of literature. The study of it simply wasted time and energy. Of course, there were good scholars who studied deeply and widely many subjects besides writing modern essays. But how many minds of ordinary students were befogged by such a bad system of education! Even among the good scholars, how much better off they would have been if they had been freed from such a requirement! It is true that many great men did come to the front through the civil examinations. But this was not because the examinations produced great men, but simply because the great men happened to pass the examinations. This is the chief cause for the weakness of China, and the stagnation of its economic life is one of its results.

[1] It contains the "Great Learning," the "Doctrine of the Mean," the "Analects" and "Mêng Tzŭ."

But we must understand that Confucianism did not make China weak. She is weak not because she followed the teachings of Confucius, but precisely because she did not truly follow his teachings.

For the education of farmers, artisans and merchants there was practically no provision. There was no school of agriculture, nor of mining, engineering, chemistry, or commerce. The only education that the farmers got was from their farms; that of the artisans, from their apprenticeship; and that of the merchants, from their firms. Under this system China may keep her economic condition stationary, since her people receive good practical training, but she cannot make great advance, because the farmers, the artisans and the merchants lack scientific instruction.

Fourth, there are social reasons for China's situation. We have already shown that China has classified the people into four classes — students, farmers, artisans and merchants. According to Confucius, they are all equal. But in Chinese society the highest esteem has always been paid to students. Therefore, the best men of the nation always try to become students, and leave the industrial world to the inferior people. Of course, we cannot say that the student class is all wise, and that the other three classes are all ignorant. But the tendency has been for the intelligent men to be driven out of these three classes because of social prejudice. Since the industrial world has lost the help of the student class for so long a time, it is no wonder that the farmers, the artisans and the merchants have not made any great improvements or inventions. Although the students have invented some things, they have done it not to turn them to practical account but from scientific curiosity. How can we expect that ordinary men should develop scientific curiosity and the power of invention?

Besides these four classes of people, we may mention two more classes, namely, the Buddhists and the Taoists. We criticize them not from the religious, but from the social standpoint. They do not belong to any of the four classes, but form two separate classes by themselves. They do not cultivate the land, but eat. They do not weave cloth, but dress. According to history, they have been exempted from many taxes. Generally speaking, they are the parasites of society. Although we may say that the student class is also somewhat idle, there are many great differences between the students and the Buddhists and Taoists. For instance, the students are working for society, while the Buddhists and the Taoists live by themselves, out of society, yet depending upon society. There is a proverb, "The monks are fat, but the students are lean." The monks are fat because of their idleness, and the students are lean because of their hard study. Since a great number of the Chinese have become Buddhists and Taoists, there are two idle classes, and the productive force of society as a whole has been weakened. Moreover, they have spent a large amount of social income in unproductive ways. Therefore, the Buddhists and the Taoists are also responsible for the retarded economic development.

Now, we may divide the people by sexes, and look upon the women as a class. The Chinese women are productive indeed, but there is no social emancipation of women. Most of them stay at home. Although they are productive, their productive power is limited. In the industrial world practically no women are found. Moreover, from the middle class up, the women are generally idlers. Here we disregard every other aspect of the place of women in society except the economic, and declare that the lack of the social emancipation of women greatly retards economic development.

Fifth, there is a political reason. Since the Ch'in dynasty consolidated the feudal states, China has been under a single imperial government. In governing such a great empire, without a good system of communication and transportation, the administration is necessarily inefficient. Therefore, since the Han dynasty the Chinese government has adopted the doctrine of Lao Tsŭ, the *laissez-faire* policy. After the Yüan dynasty the administration became worse, because the size of the provinces was too large. Consequently the government stands aloof from the people, and the officials are not true administrators but mere tax-collectors. How can such a government help the people to develop their economic interests?

However, if the government really adopted the *laissez-faire* policy and let the people alone, the results would be better than those that are found to-day. Unfortunately, the government made a bad combination. Its interference was not efficient in developing the economic interests of the people at large, and its *laissez-faire* policy was not sufficient to allow the large producers to develop their own interests. The manufacturers and merchants have been frequently interfered with. If China had allowed capitalists to exist as a class, she would have passed the stage of capitalism long since. But, because she adopted socialistic measures a little too early, and destroyed the existence of capitalism, there has been no large production.

Sixth, there is an economic reason. Many things have retarded the economic development of China: (a) The lack of revolutionary changes in the methods of production. (b) The lack of combinations of capital on a large scale except in the form of trade guilds. (c) The lack of a great increase in capital. (d) The failure to develop the natural resources. (e) The constant growth of population.[1] (f) The com-

[1] As this book goes to press, Professor Edward Alsworth Ross, of

paratively equal distribution of wealth. There is no need of discussing any of these points except the last one. In China the distribution is perhaps more equal than in any other modern nation. This is peculiar to the Chinese. It has advantages indeed, but it has also serious disadvantages, namely, the discouragement of large production.

As to the subject of finance, we find many principles of Confucius which hold true even to-day. The only difference is that, under the monarchical government of ancient times, the taxation was as light as possible, while under the constitutional government of modern times we have to increase taxation to provide for growing social needs. But the Chinese have not shown any great advance in their financial system, because the government needs have been limited and the administration has been inefficient.

As to the whole economic life of the Chinese, we may

the University of Wisconsin, has published in *The Century Magazine* for July, 1911, an article entitled, "The Struggle for Existence in China." He says that one general cause for a grinding mass-poverty is the crowding of population upon the means of subsistence. His conclusion is: "For at least a generation or two China will produce people rapidly, in the Oriental way, who will die off slowly in the Occidental way. . . . In forty or fifty years there will come a powerful outward thrust of surplus Chinese. . . . To Mexico, Central and South America, South-eastern Asia, Asia-Minor, Africa, and even Europe, the black-haired bread-seekers will stream; and then 'What shall we do with the Chinese?' . . . will become a world question." The crowding of population is indeed one of the chief causes for the poverty of China, but, as pointed out above, it is not the only one. In regard to Chinese emigration in the future, we may say that China should and will first move her surplus population to Manchuria, Mongolia, Chinese Turkestan and Tibet, before any great eastern emigration takes place (*cf. supra*, pp. 306-7). Before the whole Chinese empire is filled with the Chinese, a long period of time must elapse, and by that time the population will probably be more nearly stationary than at present, or will have a low birth rate. Only if there is still a surplus of population for which there is not enough room at home, will it be necessary for them to emigrate.

say that it is more socialistic than that of any western people. Take consumption for example. Consumption is more individualistic than production. Yet the Chinese consume much wealth socially. A single man in China must spend a greater sum of money for others beside himself than in America. Outside of the family group, there are the ties of clan, of town, of marriage and of friendship. These relations are extended beyond the limit of territory and last for many generations. Since the social relations are very close, complex and expanded, the social expenditures in the individual budget are very large. Therefore, there is a proverb: "Social expenditures are more urgent even than debts." [1]

Production also shows this difference. Agricultural life in China is somewhat socialistic, but we need not discuss this here. But even in commercial life, the trade guilds are different from the American trusts. Although the guilds are organizations for the private interest of their members, they are not so selfish or individualistic as the trusts, and they also have social functions like clubs. The Chinese trade unions are about the same as those in America, but they do not interfere with the liberty of others. Therefore, although the guilds and the unions have existed for many centuries, public sentiment is not opposed to them. In a word, their competition is not extremely sharp, and their selfishness is not great enough to invite the hatred of the public at large.

Distribution also is more socialistic in China than in western nations.

Furthermore, in regard to taxation, the Chinese usually

[1] For instance, the mother of T'ao K'an (810-885, or 259-334 A. D.), a poor widow, cut off her hair and sold it in order to entertain her son's friend, who came to visit him unexpectedly. *History of Tsin*, ch. lxvi.

have the social concept. The business tax, the tax upon title-deeds, the government monopoly of salt and iron, *etc.*, are believed or alleged to be for the benefit of society. Therefore, we may say that Chinese economic life as a whole tends in a socialistic direction. Such an idea was fostered before the time of Confucius, and it was much strengthened by him.

Now, there remains one general cause which has made the Chinese different from other people, namely, their natural environment. Why was Chinese economic life stationary? Why was it more socialistic than that of other people? Because China was an isolated country. The Chinese regarded China as a world: the territory outside of China was not counted, and the people not Chinese were mere barbarians. Such a wrong conception was supported by the fact that they did not during thousands of years find any land or people as good as those in China. Since there was no national struggle, the only thing for them to do was to make the people live at home peacefully. They did not want rich men, because they felt that the rich would be enriched at the expense of the poor. Hence agriculture was preferred over industry and commerce. Some cunning and selfish emperors did not want even wise men, because they feared that the wise would be a menace to their government. Hence public education was seriously narrowed. This was a single all-important cause from which many other causes have developed to prevent China from progressing.

Therefore, the periods of Spring and Autumn and of Warring States reached a high mark of civilization which the latter ages have not surpassed. More heroes were produced in time of war than in time of peace. The beginning of every dynasty was good, because the ruling house had fresh vigor and energy, and the great men had just been tested in the revolutionary struggle;

but the middle part or the end of almost every dynasty was bad, because the rulers were weak and ignorant, and the people in general were the same. After the Sung dynasty the national strength became less and less, on account of the philosophical schools of the Sung—too abstract and unpractical, too refined and unwarlike. Therefore, China was for the first time conquered by the Mongol.

We have criticized the Chinese thus far as severely as possible. Now, what can be claimed for the Chinese? (1) The Chinese have the best religion—Confucianism. This point, of course, would not be agreed to by all people. But we may make a concession, and say that Confucianism is, at least, one of the best religions. (2) The Chinese have the highest standard of morality. Even though it may not be superior to those of other peoples, it is certainly equal to them. (3) The Chinese have the most widely-spoken language. Although it is difficult for foreigners to learn, it is the national language of four hundred million people. In addition, the written language is used in Annam, Corea and Japan. (4) The Chinese have produced the best literature of all kinds. This is beyond dispute. Since the golden ages of different dynasties lasted for a long time —much longer than the Periclean age, the Augustan, the Elizabethan, or the age of Louis XIV,—and since the Chinese language has been used throughout the whole historical period, it is no wonder that Chinese literature has reached the highest development.

(5) In referring to fine arts, we may take them up separately. The ancient music of China is unknown, but its modern music is inferior to that of the West. The architecture of the present day is not good, but the buildings of the Ch'in dynasty and the Han dynasty were superior even to those of Greece. In later dynasties there were also many good buildings. Unfortunately there is no proof ex-

cept the description in books. Sculpture in China has not yet been taken up by a high class of people. The chief obstacle to the development of sculpture is that Chinese custom has not permitted the nude figure to be exposed. Painting has suffered from the same disadvantage, but China did produce many famous painters. Similar to the art of painting, the Chinese possess one kind of fine art which is peculiar to them only—penmanship. It is regarded as equal to painting.

(6) The Chinese system of government is moderate, democratic, centralized and permanent. Before the modern type of government appeared, it was the best type of government that had existed for such a long period.

If we take the whole history of China and compare it with the whole history of the West, the Chinese should not be ashamed. The civilization of the Chou dynasty was better than that of Greece. The civilization of the Han dynasty was better than that of Rome. We need not make any comparison with the Dark Age. The great trouble has been that, when the Chinese government was at its worst, the modern nations, rising just a little earlier than China, entered into her door and interfered with her affairs. Therefore, China is inferior, in some respects, to the West in the present day.

Now, what shall China do? China must accept all the good things from the outside world and retain the good things of her own. Should China adopt Christianity as her state religion? No.[1] The Chinese would appreciate Christianity only from the ethical standpoint. But the ethical teachings in Christianity are not so many as those in Confucianism. In a word, all the good points of Christianity

[1] The author has nothing against Christianity, nor against the missionaries, nor against the native Christians. In the following discussion he has sought simply to tell the truth.

are found in Confucianism, and besides, Confucianism gives still more. From the philosophical standpoint, Christianity is not so deep and rich as Confucianism, nor as Buddhism and Taoism. From the practical standpoint, Christianity is not so human or so related to man as Confucianism. Hence it is extremely difficult to convince Chinese scholars to become Christians. When it comes to the common people, it is still worse. They are afraid even to talk about the word Christianity. It is most opposed to the feelings of the people. In the first place, it is antagonistic to their ancestor-worship. In the second place, it has been introduced by arms, protected by treaties and extraterritoriality. It has cost China many lives, many miles of land and many millions of dollars. Many missionaries are not well behaved, and interfere with the people's affairs, such as lawsuits and religious worship. They look upon themselves as ambassadors, and take advantage of the officials and of the people. Therefore, the so-called "missionary cases," of which the Boxers' trouble was the greatest, have occurred many times. In the third place, there are exceedingly few Chinese who honestly become Christians. Most of them are converted for the sake of two things—protection and advantage. If weak people simply seek for protection, they may still be good citizens. But in many cases, as soon as they are protected by the church, they do something out of revenge, or even commit great wrongs. And sometimes they were outcasts before they became members of the church. About those who seek for advantage we need not say anything. Therefore, whenever a native becomes a Christian, China loses a citizen, and the people have more trouble brought in by the Christian.

If foreign countries really care for the spread of Christianity, they would be much wiser to let the Chinese alone. Send freely the Christian Bible to every Chinese.

and see whether he will accept it, but do not convert him by force, nor by appealing to his self-interest. By so doing, missionaries do great harm rather than good to Christianity; but foreign countries will not believe this, because the missionaries serve as a means of exercising influence over China.[1] This is exactly the reason that the Chinese will not accept Christianity; besides, they are not satisfied with the Christian Bible. Hence, all of the foreign religions but Christianity have acquired a foothold in China without trouble, and even Christianity did not bring any trouble to China until after the Opium War. Therefore the Chinese look upon the missionary cases not as religious disputes, but as political uprisings.

Some Christians say that China cannot become a strong nation unless she be a Christian nation. This is quite absurd. We may simply point out some historical facts. If Christianity can make every nation strong without regarding other elements, why did the Roman Empire fall? Why have Spain and Portugal become weaker? Why do not the nations in South and Central America become strong? The chief maker of modern nations is not Christianity, but militarism and industrialism. Even the religious revolution was the product of the Renaissance. We are sure that Christianity did, and does, much good for the Christian nations and for the world as a whole, but there is no reason to think that only Christianity can make a nation strong. If a nation cannot be strong without Christianity, why was China strong for a long time until the Opium War, and why did Japan become a modern nation? The originators of the political revolution in Japan were not Christians, but Confucians. Even one branch of Confucianism—

[1] Even Japan has tried to send missionaries to China in order to teach the Chinese Buddhism—a most ridiculous thing, since Japan got Buddhism from China.

the doctrine of Wang Shou-jen—was sufficient to transform old Japan into modern Japan. Why should the whole school of Confucius not be able to modernize China?

The future of China is bright. With an uninterrupted history extending over five thousand years, with an intelligent, diligent, prudent, and vigorous people of four hundred million, with an extensive but connected territory of four and a quarter million square miles,[1] with abundant natural resources, under one centralized government, one uniform language, one highly-developed religion, one national idea, China will, without doubt, become a strong nation, but the world need not be afraid of the so-called yellow peril. China will indeed adopt both militarism and industrialism. But China will not injure anyone not Chinese as the western nations take advantage of other people. After China shall be strong, the Great Similarity of Confucius will come, and the world-state will appear. Then the brotherhood of nations will be established, and there will be no war, but perpetual peace.

[1]English miles.

APPENDIX II

List of Authorities in English and Chinese[1]

1. *Analects* (*Lun Yü*, James Legge's translation given in the *Chinese Classics*, vol. i), 31.
2. *Annotation and Explanation of the Thirteen Canons* (*Shih San Ching Chu Shu*).
3. *Biography of Noteworthy Women* (*Lieh Nü Chuan*), 34.
4. *Book of the Lord of Shang* (*Shang Chün Shu*), 412.
5. *Book on the Great Similarity* (*Ta T'ung Shu*), 71.
6. *Canon of Changes* (*Yi King*, translated by James Legge, contained in the *Sacred Books of the East*, edited by F. Max Müller, vol. xvi, Clarendon Press, 1882 A. D.), 25-6.
7. *Canon of Filial Piety* (*Hsiao King*, contained in the *Sacred Books of the East*, vol. iii), 31.
8. *Canon of History* (*Shoo King, Chinese Classics*, vol. iii), 24-5.
9. *Canon of Mountains and Seas* (*Shan Hai Ching*), 388.
10. *Canon of Poetry* (*She King, Chinese Classics*, vol. iv), 24.
11. *Canon of Rites* (*Li Ching*), 25. The Chinese have made the great mistake of omitting this Canon in what they call the *Five Canons*, and put *Younger Tai's Record of Rites* in its place. The number of chapters given in the notes refers to the edition of the *Annotation and Explanation of the Thirteen Canons*.
12. *Canonical Interpretation of the Ts'ing Dynasty* (*Huang Ts'ing Ching Chieh*), a series of one hundred eighty separate books or volumes, 7.
13. *Cases of the Institutes of the Ts'ing Dynasty* (*Ta Ts'ing Hui Tien Shih Li*), 659.

[1] This is by no means a complete list of the Chinese books utilized by the author, but, with the exception mentioned in the next sentence, merely a list of those books whose names have been mentioned in this treatise. Nos. 2, 15, 31 and 54 have not been mentioned, but are printed here because they are the collective names of a series of books. The figures following the titles of the books refer to the pages of this treatise. In the first list is contained the translation of the titles in English, followed by the Chinese names in English letters. In the second list the titles are given in the Chinese characters.

14. *Chuang Tzŭ*, 29.
15. *Continuation of the Canonical Interpretation of the Ts'ing Dynasty* (*Huang Ts'ing Ching Chieh Hsü P'ien*), a series of two hundred and nine separate books or volumes.
16. *Continuation of the General Political History* (*Hsü Tzŭ Chih T'ung Chien*), 694.
17. *Continuation of the General Research on Literature and Authorities* (*Hsü Wên Hsien T'ung K'ao*), 333.
18. *Correction of the Youth* (*Chêng Mêng*), 61.
19. *Debate on the Government Monopoly of Salt and Iron* (*Yen T'ieh Lun*), 477-8.
20. *Elder Tai's Record of Rites* (*Ta Tai Li Ki*), 31-2.
21. *General Discussion in the White Tiger Palace* (*Pai Hu T'ung*), 62.
22. *General History of Institutes* (*T'ung Tien*), 296.
23. *General Political History* (*Tzŭ Chih T'ung Chien*), 320.
24. *General Research on Literature and Authorities* (*Wên Hsien T'ung K'ao*), 300.
25. *General Research on Literature and Authorities of the Present Dynasty* (*Huang Ch'ao Wên Hsien T'ung K'ao*), 333.
26. *Great Commentary of the Canon of History* (*Shang Shu Ta Chuan*), 89.
27. *Han's External Commentary of the Canon of Poetry* (*Han Shih Wai Chuan*), 197.
28. *Han Fei Tzŭ*, 29.
29. *Hsün Tzŭ*, 33.
30. *Hsü Shên's Dictionary* (*Shuo Wên*), 357.
31. *Imperial Edition of the Seven Canons* (*Yü Tsuan Ch'i Ching*).
32. *Institutes of the Ts'ing Dynasty* (*Ta Ts'ing Hui Tien*), 685.
33. *Ku-liang's Commentary* (*Ku-liang Chuan*), 32.
34. *Kuan Tzŭ*, 141-2.
35. *Kung-yang's Commentary* (*Kung-yang Chuan*), 32.
36. *Lao Tzŭ* (or *Tao Tê King*), 115.
37. *Law Code of the Ts'ing Dynasty* (*Ta Ts'ing Lü Li*), 148.
38. *Lieh Tzŭ*, 72.
39. *Many Dewdrops of the Spring and Autumn* (*Ch'un Ch'iu Fan Lu*), 58.
40. *Mêng Tzŭ*, 33.
41. *Mo Tzŭ*, 29.
42. *Narratives of Nations* (*Kuo Yü*), 35.
43. *New Narrations* (*Hsin Hsü*), 34.
44. *Official System of Chou* (*Chou Kuan*, miscalled *Chou Li*), 35. The number of chapters given in the notes refers to the edition of the *Annotation and Explanation of the Thirteen Canons*.
45. *Oldest Chinese Dictionary* (*Erh Ya*), 352.

46. *Park of Narratives* (*Shuo Yüan*), 34.
47. *Plans of the Warring States* (*Chan Kuo T'sê*), 478.
48. *Record of Industry* (*K'ao Kung Chi*), 354.
49. *Research on the False Bible of the School of Hsin* (*Hsin Hsiao Wei Ching K'ao*), 36.
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ERRATA

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Page 33, line 13, *prohibited by several emperors, and* should be omitted.
Page 65, note 2 should be inserted: [2] *cf. infra*, pp. 111-5.
Page 69, line 9, instead of *weaving* read *spinning*.
Page 73, line 17, instead of *,rst* read *first*.
Page 73, note 1, *infra*, pp. 553-4.
Page 75, note 1, *infra*, p. 467.
Page 125, note 1, *infra*. pp. 277-8.
Page 134, note 1, *infra*, pp. 142-5.
Page 134, note 3, *infra*, pp. 343-4.
Page 134, note 4, *infra*, pp. 497-506.
Page 188, line 7, instead of *Tsun* read *Hsun*.
Page 205, note 1, *infra*, p. 667.
Page 268, note 2, *infra*, pp. 568-70.
Page 300, note 1, *infra*, pp. 333-6.
Page 308, line 13, instead of *Mo* read *Mu*.
Page 310, note 1, *infra*, p. 465.
Page 313, note 3, *infra*, pp. 530-1.

Vol. II

Page 404, line 16, instead of *Hu* read *Fênhu*.
Page 422, note 1, instead of *Present* read *Ts'ing*.
Page 534, lines 4 and 14, instead of *Duke Yung* read *Duke of Jung*.

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